No.31,074 • THE FINANCIAL TIMES LIMITED 1990

Wednesday February 14 1990

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World News Triumphant Mandela tries quarter to placate

businessmen

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The largest political gathering . ever held in South Africa saluted African nationalist leader Nelson Mandela on his triumphal return home to Soweto after 27 years in prison. In an address, Mandela told the South African business community that "the ANC is just as committed to economic growth and productivity as the present employers claim to be," but added that the organisation wanted to address "the inequalities caused by apartheid," Page 20

Gorbachev challenge Boris Gldaspov, the leader of the Communist Party in Leningrad and widely seen as a. major conservative challenger to President Mikhail Gorbachev called for the creation of a new and separate Commu-nist Party for the Russian republic. Page 2

Boat people riot Mass rioting broke out among thousands of Vietnamese boat people in one of Hong Kong's biggest detention centres, police said. Page 20

Falklands zone cut Britain provisionally agreed to reduce the size of its military protection zone around the Falkland Islands as part of a move towards restoring diplomatic relations with Argentina, Page 6

SA tour called off The South African Cricket Union agreed with anti-apartheid groups to curtail a rebei English cricket team's tour.

Spanish scandal

A political scandal involving the brother of Spain's Deputy Prime Minister took a new twist with the Attorney Gen-eral's decision to charge five journalists from the Madrid newspaper El Mundo with alander. Page 3

Emissions cut. Germany could cut emissions of carbon dioxide, the most important "greenhouse" gas, by 7 per cent in 20 years with-out substantial changes to policy, the West German Econor

ics Ministry said. Page 3 Debt write-off call The world's poorest countries called for an immediate

write off of all outstanding debt, a doubling of official aid and more concessionary loans at a ministerial meeting in Dhaka. Page 4

Chency visits Scoul US Defence Secretary Richard Chency arrives in Seoul today te discuss troop reductions and the role of US forces in South Kores. Page 4

New Greek coalition A new Greek cabinet was sworn in under Kenophon Zolotas following the collapse of his all-party coalition Gov-

tary promotions. Page 2 Four powers meet Chancellor Helmut Kohl said he expected the four victorious. World War Two allies to agree to set up talks with leaders of the two German states to discuss German unification.

Press battle joined An east European press battle was joined when Robert Maxwell's Mirror Group took a shareholding in Magyar Hirlan, formerly the official newspaper of the Hungarian Government, three weeks after Rupert Murdoch's News International agreed to take part of the glossy weekly magazine

Hearts are Trumped Ivana Trump scorned a prenuptial agreement awarding her \$25m in a divorce suit and instead demanded \$150m, the New York's Plaza Hotel and a Boeing 727 from her billion-sire husband.

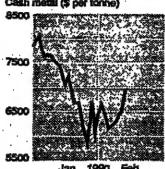
Business Summary | GERMAN LEADERS AGREE NEED FOR ECONOMIC UNION AND END TO EAST-WEST EXODUS Fourth

losses at Chrysler

Chrysler, number three Detroit car maker struggling with poor markets and high restructuring costs, reported a \$664m fourth quarter loss, its first quarterly loss since 1982. For the full-year profits were much lower than analysts had fore-

said. "I'm not going to specu-late" whether Chrysler will be profitable in the current quarter. Page 21

MARKETS: Nickel prices closed just below the day's highs on the LME as consume demand emerged from the US, the Far East and Europe.



Three-month metal followed up Monday's rise of \$155 a tonne with a \$390 rise at the close, taking it to \$6,895 a tonne. Page 30. Uncertainty about the fate of Drexel Burn-ham Lambert hung over Wall Street and French and Belgian bourses, while monetary union

MOSCOW'S first "Tecnopark" development of offices, resi-dences, a hotel and laboratories for the commercial devel-opment of Soviet technology is to be built and operated by three Italian companies. Page 20

MOWLEM, UK construction. group, has made an excep-tional provision of £33m, to offset delays in developing the full profitability of London City Airport of which it owns 30 per cent. Page 32; Lex.

THIRD World countries called for an immediate write-off of all outstanding debt at a ministerial meeting in Dhaka. Page

cent in January, an unexpect-edly strong performance, after falling by a revised 0.2 per cent her. Page 20 -

GLEN Dimplex of Ireland. appliance manufacturer, is to buy 51 per cent of KKW, Sie-mens' electric heating appliance subsidiary and market leader in West Germany. Page

DAIMLER-BENZ, West Germany's biggest company, announced it was shifting an important section of its admin-

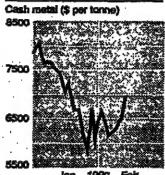
istration to Berlin. Page 23 BOUGAINVILLE Copper, operator of a copper and gold mine in Papua New Guinea closed since May by secessionist vio-lence, said that restarting costs would be high, while a failure to resume would seriously

GROUPEMENT Des Cartes Bancaires, France's bank card consortium is heading for an argument with American Express, US financial services group. Page 23

FOREIGN Currencles trading is 32 times greater than world trade, according to a Bank for International Settlements study of the foreign exchange market. Page 24

NATWEST Investment Bank announced it had found a buyer for its 9.16 per cent stake in Blue Arrow, employment group, at a price that will result in a net loss of £52.3m (\$90.6m). Page 21

cast. Mr Lee Iacocca, the chairman



talks between the Germanies worried Frankfurt. Section II, back page.

US Retail sales rose 1.6 per

world's largest electric heating

reduce its assets. Page 22

Accord on monetary plan

By David Marsh in Bonn

EAST AND WEST GERMANY agreed yesterday to set up a commission to negotiate the terms of economic and mone-tary union.

This would include making the Deutsche Mark legal tender in East Germany. Monetary union is an important precon-dition for fulfilling the two states' goal of full-scale political unity. Chancellor Helmut Kohl of

Chancellor Helmut Kohl of West Germany said after a meeting in Bonn with Mr Hans Modrow, the East German Prime Minister, that there was a need for monetary union "as quickly as possible," although East Berlin is a long way from meeting the necessary conditions for bringing the two economic systems together. nomic systems together.
The talks emphasised that there are still practical obsta-

cles in the way of German reu-nifation. Mr Kohl and Mr Modrow made clear that they disagree about whether a united German state would be attached to Nato. Bonn is hoping that the dem-ocratically-elected East Berlin Government, to be established not support Mr Modrow's suggestion that a united Germany

should have neutral status.

However, both sides are anx-

ious to stem the exodus of dis-

elections on March 18, towards Mr Kohl said at a joint press

West Germany by moving, cer-tainly before the East German

conference: "We want to asso-ciate our compatriots in East Germany directly with what we have built up in the Federal Republic over the decades - the D-Mark."

He revealed that 85,000 East Germans had left their bomes for the west so far this year, a larger figure than previously estimated. This is in addition to the 344,000 who went to the Federal Republic last year. Mr Modrow referred to "irri-

tation" about the manner in which Bonn presented its monwhich bonn presented its mor-etary union plan last week. Showing the suddenness with which West Germany is trying to reise the tempo, Bonn did not put forward any written document on the plan.

Details will only be discussed when experts from both sides start talks next week, but no concrete decisions are expected until after the elec-

Although some of Mr Kohl's officials want monetary union before the end of the year, one Bonn Minister said yesterday that it might be 1991 before it was achieved.



Chancellor Helmut Kohl (left) with East German Prime Minister Hans Modrow in Bonn yesterday

The rate and the conditions under which East German Marks will eventually be converted into D-Marks is still etely open. However, the two Germanys yesterday

Several traders said that the junk bond market had already bottomed out and some reported fresh bidding. Mr Joseph Perella, partner of

Wasserstein Perella, the merg-ers and acquisitions boutique

which has relied heavily on

HARLOW

£6.10 sq.ft.*

BRACKNELL £7.65 sq. ft.*

EC banks to intensify integration CENTRAL BANK governors of East Marks to DM1 for repayments of industrial support

the European Community yes-terday made clear that proposcredits which Bonn is starting to make available to East Berals for currency union between East and West Germany should not stand in the way of regime of five different economic and monetary union in the EC, Peter Norman

In a rare statement, issued after their monthly meeting in Basle, the committee of EC central bank governors said they believed that "a stable and orderly evolution for east-ern European countries will be facilitated by a strengthened European Community."
The central bankers said

they discussed recent developments in central and eastern Europe, in particular East Ger-many. "These events should not be seen as in contradiction with the concept of economic and monetary union within

the Community."
Mr Karl Otto Pöhl, the Bundesbank president who chairs the committee, said they agreed that the process of gration "has to be intensified." Answering questions after the meeting, Mr Pühl denied the D-Mark was facing a period of weakness because of German currency union, saying: "It is a strong currency and will remain a strong currency."

Drexel considers filing under Chapter 11

By Janet Bush and Alan Friedman in New York

DREXEL BURNHAM Lambert, the Wall Street investment bank, was yesterday consider-ing filing for bankrupicy pro-tection after a group of banks refused to give it an emergency \$350m to \$400m line of credit.

Drexel, which created the \$200bn market in high-yield, high-risk junk bonds and high-risk junk bonds and whose financial position has severely deteriorated because of substantial losses on its bond holdings, said on Monday it was seeking a major investor or merger pertner in a despersite bid to raise cash.

The company board was meeting yesterday to decide whether to seek protection

whether to seek protection from its creditors under Chapter II of the US bankruptcy code for the parent holding company and certain subsidfaries. But it would not do so for its broker-dealer, the operating arm of the entire group which engages in all its core businesses including junk bond underwritting or its sovernunderwriting, or its govern-ment securities subsidiary. Under Chapter 11 bankruptcy, a company seeks tem-

porary protection from its creditors so it can continue to operate, at least in some form. Drexel's commercial bank backers, including Citicorp and Chemical Bank, met executives of Drexel late into Monday night and yesterday morning but refused to give Drexel the \$350m to \$400m of emergency funds it sought.

Drezel's liquidity crisis has built very quickly and the col-

lapse in confidence among its creditors on Wall Street was almost immediate. Many pri-mary government bond dealers mary government bond dealers were reported to be refusing to trade with Drezel yesterday. Yesterday's moves came on a day which began with Drexel — once the most profitable securities firm in the US - an-nouncing it had defaulted on

\$100m in loans and further defaults could follow. Later in the day Mr Frederick Jospeh, Drexel's Chief Executive officer, announced the news to employees on the firm's public address system, known as Drexel line. "The known as Drexel line mood here is sombre," said one

executive.
The Securities and Exchange Commission, which regulates the brokerage industry, said it had sent "examination teams" to Drexel's Manhattan headquarters and inspectors were working with officials from the New York Stock Exchange although it emphasised that Drexel was in compliance with net capital requirements.
US analysts said it was diffi-

cult to see how the broker-dealer could continue to oper-zie given the fact that commer-cial banks have bailked at fur-ther financing the troubled firm and that dealers in the government bond and other financial markets were refus-ing to deal with Drexel

Drexel is the investment bank which more than any junk bond financing for takeovers, said the market had already taken the Drezel crisis other typified the vainglorious and buccaneering financial spirit of the 1980s. Its pioneer-ing of high-risk, high-yield in its stride. As the drama unfolded, it emerged that the Kuwait investment Office (KIO) in Continued on Page 20 When the junk heap topples, Editorial, Page 18; Lez, Page preneurial spirit among US corporations, and was largely responsible for the recent wave of billion dollar takeovers.

RISE AND FALL OF DREXEL Its detractors claim Drexel has been responsible for ladea-ing many erstwhile healthy US corporations with insupport-able debt. The junk bond mar-ket, which is likely to be the 1935 Burnham and Co Drexel banker, pleads

founded in New York 1969 Michael Milken Johns Drexel Harriman Ripley of 1973 Burnham and Co

lin. This adds to the present

exchange rates already in force

between the two German cur-

In talks with Mr Modrow and

resentatives of opposition parties, the Bonn Government again stressed the need for

East Berlin to take simulta-

neous economic reform mea-sures as part of the monetary

The West Germans turned

Pointing to the DM7bn sup-plementary budget planned for 1990, much of it East German-

related spending, Mr Theo Wai-

Delors urges EC summit on

East Germany, Page 2; German economic integration,

Page 19

down yesterday Mr Modrow's suggestion that Bonn contrib-

union proposals.

acquires Drexel Firestone Inc to form Drexe! Burnham and Co 1974 Frederick H Joseph joins Drexel's corporate

most immediate and direct casualty of Drexel's bank-ruptry, held up yesterday having fallen sharply on Monday.

RJR Nahisco's 13.71 per cent junk bonds were down by % point while lower-rated bonds declined by % to a full point. Several traders said that the finance department 1977 Milken and Joseph begin to use high yield, high risk "junk bonds" to finance emerging compa-

> 1978 Milken moves the junk bond operation to **Beverley Hills** 1983 Milken and Joseph begin using junk bonds in hostile takeovers. Drexel's

revenue exceeds \$15n 1986 Insider trading scandal. Dennis B, Levine, a

HIGH WYCOMBE £7.05 sq.ft.* | MILTON KEYNES £5.60 sq.ft.*

guilty to securities traud 1987 Ivan F Boesky, a Drexel client, pleads guilty to securities fraud and agrees to co-operate with a US government probe into Drexel. Drexel is Wall St's most profitable firm. Revenue exceeds \$4bn

1988 SEC accuses Milken and others of insider trad-ing, stock manipulation and fraud

agrees \$650m to settle Federal actions

1989 April 10, Milken pleads innocent to charges of racketeering and fraud April 14 John Shad, Former SEC chairman, is named chalman

June 16 Milken resigns 1990 Drexel announces \$40m loss for 1989

CROYDON

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READING £7.35 sa.ft.*

Soviet troops try to quell riots as unrest enters second day

By Mark Nicholson in Moscow

TROOPS clashed with angry crowds for a second day yester-day in Dushanbe, capital of the southern Soviet republic of Tadzhikistan, as the Soviet press reported new disturbances in the neighbouring republic of Kirghizia. The Interfax service of Radio Moscow said rioters had destroyed the city's bus and train terminals and smashed

exchanged fire with armed civilians perched on rooftops around the Communist Party Casualty figures released by the Interior Ministry in Moscow put the number of deaths at six and injuries at about 70. Moscow radio had earlier put the death toll as high as 37 and said that 80 had

up a hotel, while soldiers

Mr Kakhar Makhkamov, the city's party chief, speaking some 24 hours after a state of emergency had been imposed on the area, said on television that the situation was out of

been injured as the rioting

spread to the suburbs of



The violence began after up to 4,000 protesters - angered by rumours that 5,000 Armenian efugees had been given priority in receiving housing, of which there is an acute shortage in the city-surrounded the Communist Party headquar-

ters on Monday. However, party officials said there were only 39 Armenian

refugees in the city. Moscow radio said that they, together with 100 Armenian residents of the city, had left for Yerevan, the Armenian capital, for their

Continued on Page 20 Call for separate Russian Communist Party, Page 2; Editorial Comment, Page 18

The Dushanbe rioters yester-

STOCK BIDICES

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FT Ordinary: 1,818.1 (+7.5)

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land of the rising sons



Nearly every post-war prime minister has a son or son-in-law in Japanese politics, except Mr Toshiki Kaltu (left). The families of all but five of post-war premiers are also allied to the imperial family.

-Londott Unit Truets

\$1.691 (1.696) FFr9.6375 (9.6325) SFr2.53 (2.5325) Y244.0 (244.5) £ index 89.4 (same) GOLD New York: Comex Apr \$422.7 London: \$419.25 (same)

MARKETS

New York June

STERLING

DM1:6765 (1.8695) FFr5.7 (5.68) SFr1.4985 (1.498) Y144.35 (144.2) \$ Index 67.1 (66.9) Tokyo close: 144,48 Fed Funds 8%% N SEA OHL (Argus) Brent 15-day Apr \$19.6 (19.325) 3-mo Treasury Bills: yleid: 7.81% Long Bond: 100% Chief price changes yesterday: Page 21

DOLLAR

DM1.695

Y144.35

FFr5.7

New York h

S&P Comp 330.8 (+0.72) Takyo: Nikkel 37,107.03 (-181.11) LONDON MONEY closing 15½% (15½) Life long git fut 87½ Mar (88號)

Delors urges EC summit on East Germany

By David Buchan in Strasbourg

LEADERS OF the European Community should hold a spe-cial summit soon after East Germany's elections next month to discuss the implica-tions of the results for the EC, Mr Jacques Delors, the Commission president, said yester-

Officials of the Irish Government, which currently holds the EC presidency, said they had already been privately weighing the idea.

The next EC summit would normally be held in Dublin in late June, but a meeting of the four powers with post-war control over the Germanys is also likely soon after the March 18 election and an element of EC-

Maxwell

buys stake

newspaper

By Nicholas Denton

in Budapest

in Hungarian

AN EAST European press battle between Mr Rupert Mur-doch and Mr Robert Maxwell looked set last night when the Mirror Group took a major shareholding in Magyar Hirlap,

formerly the official newspaper of the Hungarian Government.

Mr Maxwell bought his 40

per cent stake – for a bargain price of \$800,000 – in one of Hungary's largest dailies three weeks after Mr Murdoch's

News International finalised an agreement to take half-own-

ership of Reform, a glossy best-selling weekly, and its tab-loid daily offshoot, Mai Nap. Mr Maxwell, like Mr Mur-doch, regards his Hungarian investment as the first of say.

investment as the first of several in eastern Europe. In Jan-

uary Mr Murdoch visited sev-

eral east European countries. Mr Maxwell said yesterday that he has invitations to

Romania, Poland and Yugo-

slavia, and plans investment in Czechoslovakia and the Soviet

Competition between the

two press barons in Hungary had its limits, said Mr Max-

well: "Magyar Hirlap will not go down to the level of the paper invested in by Mr Mur-doch."

The Mirror Group will man-

age Magyar Hirlap, contribute know-how, computer technol-

a modern print works to print

the newspaper, but the agree-ment specifies that the British

company will not interfere in

editorial matters. The indepen-

dence of the publication will be guaranteed by a directorate with an inbuilt majority of

Hungarians, and Hungarian and British shareholdings are fixed for the time being. Mr Maxwell admitted yester-

day that he has "a reputation as a hands-on editor and pub-

lisher who does indeed inter-

fere in the editorial content of papers." But this was only true in his own country, he added. The latest changes will be in

the financial management of the newspaper. Until now the

editors were not interested in how much money they spent," Mr Peter Nemeth, news editor

in chief of Magyar Hirlup, said.

Advertising managers were lit-tile better: "Many times they sent away people who wanted to place advertising. 'No space,' they said." Staff cuts are in prospect as

well as changes in attitudes. Over a quarter of journalists will lose their jobs over the

next few months. "No matter how pretty we package it, it will be rough," Mr Maxwell said. For those who remain, salaries could increase by 50

able publications in Hungary.

Reform has just announced profits for the last three

months of 1989 which amount

to a 200 per cent annual return

on capital.

ogy and cadital, and will set

Nato institutional rivalry can-not be ruled out of the Delors Mr Delors said the Twelve's

leaders should "speak out clearly", as they did at their dinner-summit in Paris last November, on the need to make the Community the centrepiece of Europe's new architecture and a home to pan-Ger-

Saying that he was haunted by the possibility that the EC might be thought of as a creature of the Cold War and might be "sidelined," he asked rhetorically: "Why should we abandon construction on one site to start building elsewhere?"
Mr Delors was speaking to

FOR the 10 per cent of the East

FOR the 10 per cent of the Sast German population who live in the countryside, life plods on as it always has done. In Wolfa-ruh, 100 miles north of East Berlin, nobody has left for West Germany and there is no evidence of a collapse, or even a deterioration, in living condi-tions.

Even last year's revolution-ary changes have largely by-passed East Germany's vil-

lages. At Neulogow, up the road from Wolfsruh, the local collective farm sacked a few

party members from its executive to show some revolutionary spirit, but at other farms they have not even bothered to do that.

However, a group of Neulo-gow farm workers, idling near a cattle shed in the early after-noon, expressed fears that for-mer owners who fied to West

Germany after compulsory col-

lectivisation might try and

Mr Eberhard Fandrey, 32,

also doubted whether the farm

could compete within the Euro-pean Community - and pointed to the 1970 tractor which needs

two hours' servicing for every

Back at Wolfsruh, where Soviet helicopters still screech

overhead, the annual meeting of the highly indebted collec-

tive farm passed off with scarcely a mention of political

By David Goodhart in Bonn

Germany's biggest company, yesterday announced it was

shifting an important section of its administration to Berlin, which could be the prelude to a

widespread corporate reloca-

tion to the city as its political and economic importance

Daimler said it would be

relocating the headquarters of its new services division – the fourth leg of the business after Mercedes-Benz, Deutsche Aerospace and AEG – to the West-

West

DAIMLER-BENZ,

reclaim their land.

two hours it runs.

By David Goodhart, recently in Wolfsruh

the European Parliament, which is beginning to consider the prospect of having a unf-fied Germany substantially larger than any other Commu-nity state. Unlike the Commission - where size is only roughly taken into account, with four large countries hav-ing two Commissioners and the other eight one — popula-tion is supposed to be the

By population, a united Germany should get up to 18 seats more than West Germany's 81seat allocation, and some West German MEPs, like Mr Rein-hold Bocklet, a Christian

Revolutionary fervour passes

by sleepy E German villages

Vast tracts of East

Vast tracts of East Germany's agricultural land are so polluted that crops, meat and other products worth millions of dollars have to be destroyed each year, Reuter reports.

The farmers' daily Bauern-Echo quoted a plant chemist as saying about 520,000 hectares of farmland were affected by emissions of sulphur dioxide and other pollutants spewed out by

sulphur dioxide and other pollutants spewed out by antiquated factories.

The chemist, Mr Gebhard Ruehle, said some green-houses were so smeared with industrial soot that yields for tomatoes, peppers and cucumbers were 15 to 20 per cent below average.

cent below average.

Pollution caused yields and quality of milk, mest, fodder, grain and vegetables to drop and in some cases meant destroying these products, he said. Flower growers in particularly polluted areas had to throw sway 30

areas had to throw away 30 per cent of their produce because the blooms were dirty. Mr Ruehle estimated the annual cost of damage to

farm land at around \$118m.

Goeres, a secretary on the farm, said: "Me and my hus-band kept quiet to allow the

young people a say in how

Daimler to open Berlin offices

em side of Potsdamer Plats, in the heart of the city. It would also be building up the services division in Berlin, which could eventually produce 6,000 jobs. West Berlin lost much of its industrial base, and most of its corporate headquarters, after the war, and despite expenses

the war, and despite generous subsidies it has not attracted very much back. Recently it

has concentrated on develop-ing its potential as a centre for service industry and for East-

Other companies that may

Mrs Rosemary

determinant of how the 518 Strasbourg seats are shared

Social author of past reports on parliamentary representation, are demanding that. However, others, including

Mr Martin Bangemann, Bonn's senior Commissioner, say that demanding extra representation in Strasbourg, or for that matter increased weight in the German vote inside the Council of Ministers, could require full-scale negotiation with West Germany's EC partners and therefore delay East Ger-many's incorporation into the

Community.

Meanwhile, MEPS yesterday clashed over plans to help fund political parties in east Europe's coming election bat-

things should change but nobody said anything - they've

She earns only 500 East Ger-

she earns only 500 East German a mouth, her husband 600 marks, and they supplement their income by growing vegetables and keeping pigs on a small plot of land. But unlike workers in the polluted industrial south, most people in the countryside, while welcoming the revolution, are not particular.

the revolution, are not particu-larly dissatisfied, says Mrs

Evidence of imminent col-

lapse, even in the cities, remains scarce. One senior Bonn official last week claimed that thousands of shops were now only accepting D-Marks. In fact, only a handful have started charging in D-Marks.

started charging in D-Marks and most of these are selling exotic fruits and have

therefore had to buy the prod-ucts in the West German cur-

On the other hand, the local

government correspondent of the semi-official Nenes Deutschland reported yester-day that 84 mayors in the area

around Potsdam had either

He also reported that eco-

nomic production in the area

in January was 3.4 per cent

below the previous year and 9,000 work-places remained

follow Daimler's lead include Siemens, which once had its headquarters in the city. There is speculation that the head-quarters of the new Siemens-Nixdorf group may move to Barlin

Daimler already has about

12,000 employees in Berlin including 7,000 with AEG. Although no new deals with

East German partners have recently been announced, the company — mainly through AEG — has some co-operative

resigned or been sacked.

Centre-right MKPs, led by British Tories, want the parlia-ment to give some Ecu20m (£14.4m), arguing that other-wise parties on the right will lose out to east European Socialists which have fast-de-veloping financial links with their western counterparts and, in some cases, inheritors of Communist power.

However, Mr Jean-Pierre Cot, leader of the Socialist group, largest single entity in Strasbourg, said "parties should dig into their own pockets to help their allies in the East — not hijack taxpayers' money earmarked for other purposes".

New Greek cabinet

By Kerln Hope in Athens

A NEW Greek cabinet was A New In yesterday under Mr Xenophon Zolotas following the collapse on Monday of his all-party coalition Government

deficit for January to November last year reached \$2.51bm, more than three times the 1988 figure of \$799m, according to details released yesterday by the Bank of Greece. The November deficit rose to \$593m, up from \$205,5m the

ing, but noted that a higher

sworn in

in a dispute over military pro-

motions.

Mr Zolotas, who is expected to stay on as Premier until the April 8 general election — the third in a year — said the new Government would try to complete economic reforms undertaken by the coalition.

However, the new 27-member cabinet, made up of non-political personalities who also supervised last November's inconclusive election, has only 10 parliamentary work-

only 10 parliamentary working days available before the election campaign begins.

There seems little chance that planned legislation on collective wage bargaining, privatisation of alling state-owned industries and tax owned industries and tax reform, as well as new mea-sures to combat air pollution in Athens, can be passed in such a short time.

Greece's current account

provious year.

A Bank of Greece official called the results disappoint.

ing, but noted that a higher proportion of foreign exchange earnings from tourism and Greeks working abroad was being held outside, apparently because of fears the drachmanight be devalued.

Income from tourism declined by 17.7 per cent and from workers' remittances by 20 per cent, while funds imported for housing purchases fall by 18.2 per cent. The trade deficit rose to \$8.21bn, up from \$7.02bn in the first 11 months of 1988, as importers stockpiled goods during months of political uncertainty under successive coalition governments.

Gidaspov calls for separate Russian Communist party

As criticism of

President Gorbachev's

perestroika mounts, Quentin Peel and Ian

Davidson interview

Leningrad Party chief

did not involve "the exploita-

political future to his role in the Party, announcing that he will not contest next month's

local elections, in defiance of Mr Gorbachev's explicit appeal to all Party leaders to stand for

office. He was only elected Len-ingrad Party leader last year, since when he has rapidly

earned the reputation of a lead-

ing neo-conservative in the

His backing for the idea of a

Russian Communist Party,

which has never been a sepa-rate entity within the Soviet Communist Party, is partly a

Mr Gidaspov has tied his

one of his leading

opponents, the

tion of hired labour.

MR BORIS Gidaspov, the leader of the Communist Party in Leningrad and widely seen as a major conservative challenger to Mr Mikhail Gorbachev, the Soviet leader, has called for the creation of a new and sense to Communic Party and separate Communist Party for the Russian republic. He said that a new Russian

party within the Soviet Com-munist Party was needed, in response to the rising tide of nationalism in the non-Russian republics.
This move would also create

a potential new power base for Russian nationalists and con-servative Communists who feel increasingly threatened by the disintegrative effects of Mr Gorbachev's reform process. Last week, the Communist Party central committee, fac-

ing an upsurge in grassroot protests across the country, agreed to abandon its constitu-tional monopoly on power, against strong objections by

against strong objections by conservatives.

The Leningrad party leader, a key figure as the head of the country's second largest city, spelt out a carefully pragmatic conservative position in the current political turnoil, distancing himself both from Mr Gorbachev, and from Mr Yegor Ligachev, the man hitherto seen as the main conservative standard-bearer of orthodox standard-bearer of orthodox

He backed the immediate introduction of nationwide rationing of basic commodities, and blamed the current economic crisis on the excessive haste of moves towards a mar-ket economy. But he also crit-icised Mr Ligachev's refusal to countenance individual initiative and private property in agriculture. He said private property was acceptable if it demand for greater autonomy, if not outright independence, from the parties in Lithuania and the other Baltic republics, as well as Armenia, Georgia, and Azerbaijan in the south. However, it is also likely to appeal to Russian nationalists, giving them a clearer identity in the crumbling Soviet and

Communist empire. "A few months ago, I considered this would be very bad for the Soviet Union in general and the Soviet Communist Party in particular," he told a small group of foreign journal-ists. "The Communist Party united the Soviet Union and

was the only party. "As the situation is now, I support the idea of setting up this Russian Communist Party. After the events in Estonia After the events in Estatus, Lithuania, Azerbaijan and Armenia, I think that Russia needs its separate party. In that way we will arrive at a new form of relationship between the parties."

He admitted the loss of political authority by the party across the country - but denied it amounted to a popular rejection of Communist ide-

"It is not a crisis of ideology. It is a crisis of the econom decisions we have taken in recent times," – a clear criti-cism of Mr Gorbachev's leader-

Yet, he did not condemn the nitimate direction of reform, only its speed. "A direct transi-tion from a command system to a more or less free market should take much more time, and there should be more thought given to it," he said. "We are siways running somewhere, trying to go too fast."

Commission split on **UTA** takeover

By Lucy Kellaway in Brussels

THE European Commission is divided over whether to object to the recent takeover of UTA by Air France. It is due to make a decision at its weekly

meeting today.

Sir Leon Britten, the competition commissioner, will argue that the deal has clear competitive implications, and that formai procedures should be opened. Other commissioners - including Mr Jacques dent - are thought to be in favour of waving the takeover through with few, if any, strings attached.

The Commission will have in front of it a report showing that after the takeover Air France would control almost all routes allocated to French airways and would have a much larger share of its own market than, for example, British Airways has of the UK mar-het. The report concludes that if the deal is allowed to go ahead it would restrict competition - which would give the Commission clear power to

intervene.
The harshest option would he to send a formal statement of objection to Air France, which would then be obliged to discuss corrective action with the Commission – amounting to anything up to Although Sir Leon would

like the matter settled quickly, divisions within the Commisdivisions within the Commission may prove so deep that a decision has to be postponed.

The case comes as the EC is trying to open up the air transport market. Any sign that the Commission is being soft with Air France would undermine the credibility of its policy.

UK bids for European **Development Bank HO**

By Peter Norman, Economics Correspondent

pean Bank for Reconstruction and Development to be sited in

Mr Francis Maude, Minister of State at the Foreign Office, said the bank, which is being set up to help eastern Europe's transition to market-based eco-nomic systems, should be situ-ated in Europe's largest bank-

ing centre.

However, Britain is likely to face a tough fight in its bid for the bank's headquarters. Prague and Amsterdam are also contenders and Berlin is thought to be preparing a bid. thought that the Following recent meetings of a bigger share.

BRITAIN yesterday formally amnounced its bid for the European Bank for Reconstruction on how they would like the bank to be structured. The EC position is that the bank should be capitalised at Eculobn (£7.2bn or \$12.19bn), of which 30 per cent would be paid in, with member states and Community institutions having 51 per cent of the bank's capital and 11 of the 20

seats on its board of directors.

Under EC plans, Japan and the US would each have 8.5 per cent stakes in the bank, as would Britain, France, Italy and West Germany. But it is thought that the US would like

Carlsson set to lose crisis vote SWEDEN'S minority Social

Democratic Government is likely to lose a parliamentary vote tomorrow on its two-year wage, price, rent and dividend freeze after the Communist Party decided to oppose the cri-sis package, writes Robert Tay-lor in Stockholm.

Mr Ingvar Carlsson, the prime minister, said yesterday he intended to stand firm on

Denmark's net foreign debt declined slightly last year for the first time for almost 20 years, falling from DKr296bn (\$45.9bn) to DKr295bn, writes Hilary Barnes in Copenhagen. This still leaves the debt at This still leaves the debt at close to 40 per cent of gross domestic product, however.

The current balance of payments remained in deficit, for the 26th successive year, at DKr10.2bn, down from DKr11.9bn in 1986 and a peak of DKr35bn in 1986.

There was a surplus on side

to Czechoslovakia and East Germany, the pro-Solidarity daily Gazeta Wyborcza said.

Czechoslovak President Vaclav Havel uses a child's scooter to speed his way through the cor-ridors of power, Reuter reports from Prague.

Soviet film makers gather to reshape industry

By Charles Leadbeater in Moscow

SOVIET film makers will today take the most radical step yet in their attempt to restructure the industry and free it from the state control and censorship which has characterised it

ment of independent, co-opera-tive film studies and distribu-tion companies which will drastically reduced. Senior

compete with the official

members of the union's executive believe that several studios will go bankrupt in the course of the year.

In anticipation of this the union has set up an unemployment fund for film makers

If a director, cameraman or employed by studios.

any other member of the artisnot find work the union has agreed it will pay them 100 per cent of their salary in the first year, declining to 50 per cent of salary in the third year and, thereafter, if they have not found work with a studio they will have to change profes-

for decades. Hundreds of members of the Union of Film Makers are expected to gather in Moscow to establish an association designed to foster the develop-

industry.

The plan is part of a

far-reaching strategy drawn up by the union to transform all the state's 39 studios into co-operatives by 1994. The strategy is expected to be approved within the next few days by Mr Nikolai Ryzkhov, the Prime Minister.
All studios will become self-

unable to find work. Mr Arther Ermakov, the executive secre-tary of the union's board said: The aim is to get rid of people who have made dozens of films which have never been suc-cessful."

In the past, film directors, actors and other film workers have been permanently

per cent, going by the experi-ence of other joint ventures, says Mr Les Bonnet, head of Price Waterhouse in Hungary. Romania's Invisible Men prove visibly obstructive In the short term it would be impossible to make profits, Mr Nemeth said. But he hoped

that if the Hungarian economy prospers, so would Magyar Hir-lup and the newspaper could be in profit in two years. The prominent involvement Few changes can be made while the old regime's beneficiaries remain in place, writes Judy Dempsey died in the revolution, how who is also Jewish. But they

lae, the Front's Minister for Foreign Trade, who, like many others has no impeccable past to boast about, attempted to clean out this deeply conservative ministry, the bureaucrats struck back. They accused Mr. Nicolae of belonging to the constitute of the particular for their Securitate. In return for their

HE Invisible Men are back Indeed, they never went away. They simply loian, deputy Minister for In early January, Mr Ion Sto-lojan, deputy Minister for Finance, tried to implement personnel and policy changes in his ministry. The old guard went on strike and the minis-try is herely functioning.

> The CNU consists of 253 members, made up of representatives of 37 political parties, nine ethnic minorities and a group of former political pris-oners. Each has three represen

Senior military officers demanded yesterday that the armed forces should be purged of all personnel involved in killing civilians during Romania's December revolution, Reuter

until after the elections.

In their defence, some Front members say that radical reforms would have led to even

more instability. But they

know too that such measures

would have cost them valuable

votes at a time when sections of the population are growing disillusioned with a Front which is seen as a safe house or communists. Against this background of

uncertainty, the electoral campaign promises to be the dirti-

Indeed, it has sentenced a

est in eastern Europe. The Front will be accused of protecting the Securitate which caused unbelievable moral and social damage to during 45 years of totalitarian

mere four people of the old regime. Also, it has not said, for instance, how many people

many members of the Securitate were arrested, who is guarding the Securitate files and how many Securitate and bureaucrats still hold their

It appears that that the Front, in deference to the power of the bureaucracy, has not carried out any purges for fear that the old guard will seek revenge by naming names.
The National Peasant Party. one of the two "historical" and

strongest parties of the inter-war period is at the forefront in seeking revenge for the Ceausascu period. Mr Corneliu Coposu, its leader and Mr Val-entin Gavrielescu, its spokesman, were imprisoned for 15 years in 1947 when the communists banned political parties. Senior members, who loathe the Front, say it is dominated by communists and Jews. "It is a disgrace that the

Prime Minister is not a Roma-nian," a NPP member said. Mr Petre Roman is a Jew.
The NPP's disdain is just as great for Mr Silviu Brucan, the Front's foreign policy expert

resent him more for his stint as editor of Scientea, the mouthplece of the Communist Party under the Stalinist regime of Mr Gheorghe Gheorghiu-Dej, Ceausescu's ground for dirty politics. The Front tells the workers in the

enterprises in Bucharest, where it is particularly strong, that the NPP wants to sell out to "the capitalists". This is the argument used in the interwar years when German capital rolled into the country. For its part, the NPP accuse the Front of wishing to retain the influence of a strong state. "There are only two options for our economy - a central-

ised economy or a market economy, says Mr Bogdan Teodoriu, a member of the Front's economic commission. "But the problem is how to make the transition to the mar-ket economy without too much disruption or instability. We just can't close down bankrupt factories overnight and throw the workers onto the streets. The transition will take time."

MODITIE

James Carlo

KERAIL

PERSONAL

the package. He has already agreed to drop a proposed strike ban. The prospect of a spring general election is growing.

Denmark reduces debt

There was a surjus on visible and invisible trade of DKr23.9bn, up from DKr18.4bn in 1988, but this was more than cancelled out by other items, including interest on the debt of DKr23.1bn

Ambassadors replaced Poland's Solidarity-led Government, consolidating its control over foreign affairs, is replac-ing 19 ambassadors appointed by previous Communist governments, according to a newspaper article yesterday, AP reports from Warsaw.

Among the ambassadors being recalled are the envoys

Havel's wheels of power

The 53-year-old head of state The 53-year-old head of state said yesterday an organisation called the Committee for a Merrier Presence gave him the scooter after hearing of the huge offices and long corridors he had to negotiate in Prague's Hradcany Castle.

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of western press magnates in Hungary is bound to provoke controversy. Some leading members of the conservative waited to see which way the wind was blowing. The tens of reports from Bucharest. reports from Bucharest.

Spokesmen for a group of 40 officers up to the rank of colonel said they had been negotiating a list of 13 demands at the headquarters of the National Salvation Front in Bucharest since Monday evening.

These included removal of the defence and interior ministers — both generals — and their replacement by civilians.

The officers also want a complete public account of the army's role in the deaths of up to 700 civilians in clashes before the execution of dictator Nicolae Ceansescu on December 25. thousands of bureaucrats and low-level Securitates remain in Hungarian Democratic Forum. the largest opposition party, have already criticised Mr Mur-doch's Sky satellite channel for debasing Hungarian culture. the ministries and in the ecotry is barely functioning. At the same time, the euphoria of the revolution has given nomic institutes refusing to change and obstructing any measure the Front for National In addition, the sale of the way to rapidly rising expectagovernment newspaper for such a small amount adds Salvation takes. tions. There are strikes and demonstrations every day. Peo-ple want results – more food, more consumer goods and an end to their miserable exis-But seven weeks since the overthrow of the regime of the late dictator Nicolae Ceauweight to claims of populist politicians that Hungary's birthright is being given away sescu, the FNS has made many to foreigners. Privatisation is tatives in the new parliament in addition to the 111 members of the old Council of the FNS, blunders which only served to already beginning to dominate next month's elections. The Some of the demonstrations are manipulated by the Front, the opposition and the bureauperpetuate the awesome power of the bureaucracy and the former party apparatus. This has undermined the Front's crediwho, for the moment, still congovernment envisages that 30 per cent of Hungary's GDP will cracy. The result is the same trol the agenda. The Front was politically a state of flux and instabilbe transferred to the private sector in five years. astute in co-opting the opposi-The first was its hesitation in pushing through radical changes, especially in the min-istries. When Mr Nicolae Nico-Mr Murdoch paid more than Mr Maxwell for his Hungarian The Front last week set up a provisional Council for National Unity which will act tion, since the responsibility for the country is now more widely shared. But it also press empire - \$1m for 50 per means that any unpopular measures will be postponed lae, the Front's Minister for cent of Reform and \$3m for 50 as an interim parliament until per cent of Mai Nap - but now May 20 when elections are to owns two of the most profit**EUROPEAN NEWS**

By Tom Burns in Madrid

A POLITICAL scandal involving the brother of Spain's Deputy Prime Minister has taken a new twist with the

has taken a new twist with the Attorney General's decision yesterday to charge five journalists from the Madrid newspaper El Mundo with slander. The charges, which carry a maximum penalty of 12 years in jail, are the first brought against a newspaper by Mr. Felipe Gonzalez's Socialist administration. They relate to a report in El Mundo last. a report in El Mundo last month about the Government's granting of subsidies to a property company linked to Mr Juan Guerra

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Ten days ago Mr Alfonso Guerra, the Deputy Prime Min-ister, admitted to parliament that his brother Juan had been allowed the use of a govern-ment office in Seville, but he denied any knowledge of his brother's business dealings. After the debate, Mr Gonza-

lez sprang to the defence of his deputy saying he would seek criminal charges against those who accused the Government of prevarication and that if Mr Guerra were hounded out of office amid suspicions of dis-honourable dealings, he too

would resign.
The press allegations levelled at Mr Juan Guerra, a former door-to-door encyclopaedia salesman, centre on the alleged manner in which he used the Seville government office over the past five years and his close ties with the Deputy Prime Minister to act as a mid-dleman for domestic and foreign developers, becoming a wealthy real estate entrepre-

neur as a result. The slander charges have provoked widespread criticism in the press and brought the Socialist Government's relations with the media to their lowest ebb to date.

 Spain's consumer price index rose by 1 percentage point in January to bring annual inflation down by 0.2 points to 6.7 per cent. Govern-ment officials believe the rate could be cut to 5.7 per cent at end of this year. The January figure compared with a 1.2 per cent jump a year earlier.

Journalists West Germans hopeful on carbon dioxide emissions

By David Thomas, Resources Editor

WEST Germany could cut emissions of carbon dioxide, the most important "greenhouse" gas, by 7 per cent in 20 years without substantial changes to policy, the West German Economics Ministry has predicted in an unpub-

lished paper.

The paper was presented to a closed meeting of officials from the main industrialised nations held after the main conference of the Intergovernmental Panel on Climate Change, a United Nations sponsored body, in

Washington last week. The West German representatives at the meeting argued that current trends, such as investment in less polluting cars, would result in a substan-

large country predicting a sub-stantial reduction in carbon dioxide emissions, mainly because of the big component of nuclear power in its electricity generation. The French repentatives predicted a 43 per cent decline in carbon dioxide emissions by 2010 compared with 1985 levels.

The UK, by contrast, is predicting a 38 per cent increase, while officials from Japan's Ministry of International Trade and industry presented a paper predicting increases ranging from 23 to 44 per cent.

Bidders line up for Portugal TV

By Patrick Blum in Lisbor

private television in Portugal has begun in earnest following the Government's announce ment last week that it will present proposals to parliament soon allowing two pri-vate nationwide channels.

Six large Portuguese groups have indicated strong interest in participating in, or setting up, the new networks. Interna-

At present Portugal has two state-owned and run national channels, both with advertis-ing plus table and satellite. Mr Anibal Cavaco Silva, the Prime Minister, said the proposais could be adopted before parliament's summer recess, allowing companies to be cho-sen and broadcasting to start

They envisage giving the pow-erful Roman Catholic Church a "preferential" stake in one of the channels.

Operating licences would

tion made by West Germany's Economics Ministry in its cal-culations was that there would be an additional tax on energy, which would build up to a 20 per cent increase in the cost of energy derived from fossil fuels by the year 2010.

Environmentalists are likely to seize on West Germany's projections in the run-up to a further international meeting on climate change later this year, which is due to consider global targets for the reduction of carbon dioxide emissions. They will argue that targets

currently being debated, such as a stabilisation of carbon

too modest in view of the West German projections.

THE BATTLE for control of

tional companies are also expected to bid for stakes although foreign shareholdings are likely to be limited to 10 per cent. Single Portuguese shareholders will be limited to a 25 per cent stake.

The proposals have yet to be fleshed out, leaving room for a considerable amount of lobbying during the next months.

run for 15 years. Advertising would be limited to 15 per cent

tial decline in emissions of car- dioxide emissions, are much bon dioxide. The only additional assump-France is the only other

of daily broadcasting and to no more than 12 minutes per hour. At least half the pro-grammes would have to be in Portuguese and 10 per cent of them Portuguese productions. Some analysts believe this may be over-ambitious in view of the Portuguese industry's relatively limited resources.

Parliament last week

adopted a privatisation law which aims for the greatest flexibility by allowing each sale to be dealt with on a caseby-case basis. It permits the full sell-off of state-owned companies (until now only 49 per cent could be sold), though the Government reserves the right to keep a majority stake in "strategic" industries.

OVERSEAS NEWS

Sky's the limit for airliner sizes

Stand by for double-decker 'flying Orient Express', writes Paul Betts

THE world's three leading commercial airliner manufacturers – Boeing and McDonnell Douglas of the US and the European Airbus consortium - are planning to develop double-decker long-range aircraft to increase their penetration of the expanding Asian-Pacific long-distance market.

Airbus yesterday unveiled a project to build a "Dying Ori-ent Express", a double-decker version of its A240 long-range aircraft with luxury sleeping accommodation for first-class

passengers on a lower deck. Boeing confirmed it was studying the development of a larger jumbo, a 747 Super with seating capacity for between 500-600 passengers.

McDonnell Douglas is planning a "stretched" version of its new MD11 long-range jetliner with a panorama deck.

At a Financial Times conference on commercial aviation in the Asia-Pacific region on the eve of the Singapore Air Show, Mr Stuart Iddles, senior vice-president commercial of Airbus Industrie, said the European consortium was looking at a range of concepts to enhance the comfort of its new A330/A340 family of

long-range aircraft.

Apart from adding extra seats on a new lower deck in the A340 four-engine airliner, Airbus was also considering

CONFERENCE COMMERCIAL AVIATION IN THE ASIA PACIFIC REGION

using the lower deck to provide a separate lounge and dining area for passengers to reduce the monotony of a 12-14 hour non-stop flight.

"One could even provide a gymnasium to enable passen-gers to tone up in flight," Mr Iddles said. Another possibility was to provide sleeping accom-

modation to transform the A340 into a "flying Orient Express", he added. "Very high comfort and pri-vacy could be provided for all 18 first-class passengers to sleep away their journey and arrive fully refreshed at their destination," he said.

Mr Iddles also disclosed plans to develop a dou-

ble-decker stretched version of the A330 twin-engine wide-body jetliner, which would increase seating capacity by 50 seats to 463. However, Mr Iddles said Airbus had decided not to consider developing the A330 or the A340 with folding wings. Some airlines had asked Airbus to examine the possibility of developing folding wings to enable the new airliners with their big wing spans to operate from relatively small airport

terminal gates.
"The weight and performance penalties were not acceptable and the certification authorities were, to say the least, cool," he explained. McDonnell Douglas has also

rejected the idea of folding wings. Mr Louis Harrington, head of its MD11 programme, said the first MD11 was expec-ted to enter service this year. The next step in the programme was the addition of a

stretch version of the MD11, increasing seating capacity from 293 seats to 368. The stretched version would include a panorama deck. McDonnell Douglas also has longer-term plans to build an even bigger stretch version of the MD11.

Boeing is poised to take a \$5bn decision to develop a wide-body medium to long-range aircraft programme, the 767-X, also known as the 777. Boeing is considering offering a 777 version with folding wings.
Mr Dean Thornton, presi

dent of Boeing's commercial aircraft division, said the company was discussing the

tomers for the 777. After the 777, if launched, the next aircraft Boeing intended to develop was a bigger jumbo, the 747 Super "for super big", Mr Thornton said.

He suggested there were doubts inside Boeing whether a "super jumbo" would be viable. "But in my opinion, a 747 Super happens at the end of this century. It carries more people and perhaps has a lon-ger range," he said. However, there are also doubts whether Boeing, although financially strong can risk investing in both the 777 wide-body pro-gramme and a super jumbo

Mr Otto Schneider, president of the West German travel agents association, appealed at the conference for improvements for long-distance econ-omy class passengers.

Considering the cheapest flight from Europe to Singa-pore still cost as much as an average monthly salary of an average citizen, Mr Schneider said conditions of economy class travel were "simply incredible". He said airlines and aircraft makers should think hard about how they can offer more comfort for low-price passengers. Current conditions, he said, were "the modernised form of the transport of emigrants below deck in the last century".



As you may have heard, on 6 May London gets its new telephone dialling codes. Out goes 01, in comes 071 for inner London, and 081 for outer London.

This change is designed to satisfy increased demand for phone numbers and

If you're in business anywhere in the U.K., there are obvious implications

to meet your needs in the future.

There are four

things you

should do now

our company for

6 May.

The first is to

read this.

prepare

in this change. In a nutshell, whatever part needs to revise it. areas that should be looked at now to make

the 6 May change as smooth as possible.

the 01 code plays in your company, somebody

To help with this, we've identified 3 key

Your phone, fax & computer systems. If you have the type of equipment that stores 01 numbers or automatically dials them, it will need to be re-programmed prior to

can help with any work you're unable to do yourself. But if your system is maintained by someone else you should contact them direct yourself.

Your company communications.

You may be surprised to find out how widely your telephone number is reproduced.

For example - stationery, company literature, packaging, vehicle livery, signage, even emergency instructions and documentation.

Many will need changing in some way and it makes sense to put the alterations in hand as soon as possible.

Your customers.

If your business has an 01 code number now, the sooner you let your customers know your new code, the better.

And your staff should also be informed about the coming change and what the new code will be.

If you don't already know your new code you'll be able to find it by checking next Sunday's papers where a comprehensive list of all the new codes will be published.

If you have any queries, call us free on our Helpline number, 0800 800 873 between 9am and 7pm, seven days a week.

Remember, 6 May is getting nearer every day.

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PERSONAL

Shamir

Likud

By Hugh Carnegy

in Jerusalem

shaken by

showdown

HALF-WAY through his

address to Monday's tumultu-ous meeting of his Likud Party, Mr Yitzhak Shamir, the Israeli Prime Minister, sud-

denly appeared to be running into trouble. His terrier-like face glistening with sweat, he barked a supposedly rhetorical question about who spoke for

the party.

After a brief pause, the response came in a chorus of boos and shouts of "Arik, Arik" from supporters of Mr Ariel Sharon, his chief rival who minutes before had announced his resignation from the Likud-Labour Government in protest at Mr Shamir's

OVERSEAS NEWS

Poorest countries seek debts write-off

By Ahmed Reazuddin in Dhaka

THE WORLD'S poorest countries called for an immediate write-off of all outstanding debt, a doubling of official development aid and more con-cessionary loans at a ministerial meeting in Dhaka.

Ministers from 30 of the 42 least developed countries (LDCs) attended the meeting and drew up a list of measures to be pressed at the second UN conference on LDCs in Paris in September. The ministers said a reduc-

tion in the debt servicing bur-den of the LDCs was an urgent den of the LDCs was an urgent priority. They also urged the international community to help the LDCs gain access to commodity markets, saying there was wide scope for further improvement of the general system of preferences (GSP) schemes, whose impact on LDCs exports has so far been minimal.

been minimal.
They demanded duty-free They demanded duty-free treatment for exports, exemption from quotas and cellings and the use of simplified and flexible rules of origin. The countries hoped the donors would reach the target, set in 1981, of 0.15 per cent of GNP as aid to LDCs during the 1990s. Only 0.09 per During the 1980s only 0.09 per cent was achieved.

Aggregate growth in the LDCs was 2.3 per cent, against the target of 7.2 per cent. The population growth was 2.6 per cent. Export earnings fell by 0.4 per cent and the debt burden increased from \$56bn to \$65bn 65bn. The terms of trade wors-

ened by 2.6 per cent a year.

A mission of four ministers
will tour donor countries to will tour donor countries to brief governments on the scale of LDCs' problems and needs before the UN meeting.

The ministers urged the UN meeting to adopt a new action programme for the 1990s to

improve the economic conditions in the 42 countries, of which nine are in Asia, 28 in Africa, one in Latin America and five in Oceania. Their total population is 400m.

Ugandan flights suspended

Uganda's troubled state airline has suspended all scheduled flights except its weekly ser-vice to London for two or three its business, Reuter reports from Kampala.

The closure follows a one-

week strike by the airline's flight crew to demand a 10-fold salary increase and better working conditions.

Transport Secretary Wilson Wanyama said the restructur-ing, planned since 1988, would be carried out by international aviation consultants and the sirime would resume normal activities as soon as possible.

Cheney to discuss Korea troop cuts

By John Ridding in Secui MR Richard Cheney, the US

Defence Secretary, arrives in Seoul today to discuss troop reductions and the role of US forces in South Korea.

The visit is part of a regional tour which includes Japan and the Philippines. It is aimed at negotiating the re-organisation of US forces in the region as part of a proposed reduction in US defence expenditure.

announced that it would close three air bases on South Korea with the loss of about 2,000 support troops and is believed to be considering the with-drawal of up to 3,000 further non-combat troops. There are an estimated 43,000 US troops stationed in South Korea.

In addition to the partial

reduction of US troops, Mr Cheney will discuss an increase in Korea's contribu-US troops on the peninsula, and the possible transfer of operational control of the Korean armed forces to South Korea.

Political nepotism rules in the land of the rising sons

Next Sunday's elections in Japan are proving to be a family affair, Stefan Wagstyl reports

OR Mr Kenji Kosaka, a candidate in the forth-coming Japanese general election, politics is a family affair. He is fighting a seat previously held by his father, grandfather and great-grandfather. Mr Zentaro Kosaka, his 77-year-old father, who has just retired, is campaigning enthusiastically on his son's behalf. Far from being new in Japa-

Far from being new in Japa-nese politics, nepotism is, if anything, endemic, and espe-cially so inside inside the rul-ing Liberal Democratic Party. In the mid-1980s it was calculated that only one LDP MP under the age of 40 was not related by birth or marriage to a sitting or retired member. The difference now is that the generational change, hitherto incremental, is verging on the wholesale, as those who won their seats in the years imme-diately after the war retire

from politics.
Some 168 of the 953 candidates in Sunday's poll have inherited their place on the hustings, more than ever before. Most of them, like Mr Kosaka, represent the LDP, but a few are standing for opposition parties, including the Japan Socialist Party. If the election turns out as predicted election turns out as predicted and the LDP retains a narrow majority, the number of "second generation" members of

Pulinami: local issues

in Natal

violence

from Durban.

'Fifty dead'

reported killed in growing vio-

lence in Natal province since African National Congress

leader Nelson Mandela was

freed from prison Sunday, according to estimates from police and groups monitoring the unrest, agencies report

Police said most of the fighting was between ANC support-ers and members of the Inka-

the political organisation of Zulu Chief Minister Mangosu-

thu Buthelezi, but criminals were also taking advantage of the chaos.

Brigadier Jac Buchner,

Brigadier Jac Buchner, police commissioner for the Zulu homeland, said guns were used to kill 18 people in the Mpumalanga township on Monday. He called it "a worrying escalation," in an area where firebombs, knives and sharpened sticks are the usual wespons. More than 2,500 peo-

weapons. More than 2,500 peo-

ple have been killed in the vic-lence since 1986.

However, a witness said

police officers opened fire on a peaceful crowd in a squatter area called Amahula, outside

Durban. Other reports said black marchers were shot at by police as they celebrated the release of Mr Mandela.

The Natal Witness, a Durbon newspaper, said concern was growing about anti-Indian sen-

timent in the townships around Buritan. Black crowds have attacked Indians four

times in a week, and two

Indian men were stabbed to death in Durban on Sunday.

Groups monitoring the unrest said a pamphlet had been distributed in black

townships saying Indians con-trolled the Congress of South

African Trade Unions and

called strikes so black people would lose their jobs.

the "war of liberation" that killed

nearly 1,000 people last year. Yet

Last autumn, supporters of the

Christian general ransacked the seat

of their own Maronite Church and blew up the homes of their parlia-mentary deputies. A Parls newspa-per disclosed that the "honest gen-

eral" had stashed US\$15m in a Paris

bank account. The general instituted

unprecedented censorship of the

Lebanese press. Yet Lebanon's Christians continued to support him.

Two weeks ago, Gen Aoun declared war on the Christian Pha-

lange militia. Founded by Sheikh

say they support him.



in the second of the second of

JAPANESE ELECTIONS

the lower house of the Diet (Parliament) is expected to rise from 130 to about 160 - nearly a third of the total. Political critics routinely

denounce repotism as undemo-cratic. Mr Takayoshi Miya-gawa, head of a private politi-cal research centre, says: "Once 80 per cent of politicians were interested in the good of people at large and 20 per cent of them in promoting themof them in promoting them-selves and their families. Now it is the other way around." Public interest in the issue has mounted in the wake of the Recruit financial scandal, which highlighted the importance in Japanese politics of personal contacts and huge

Direct attacks on individual second-generation politicians second-generation politicians are rare; their opponents are reluctant to provoke the wrath of the political dynasties. Moreover, outside the big cities, many voters feel bound by traditional loyalties to prominent

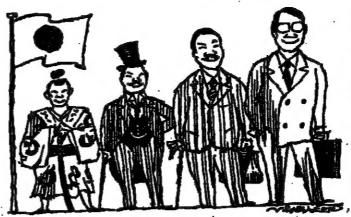
Kosaka junior for no other reason than that they voted for his father. Nevertheless, there are candidates standing against second-generation men.

Among them is Mr Shusei
Tanaka, a self-made university
teacher, who is contesting the same constituency in Nagano as Mr Rosaka. Mr Tanaka does not mention Mr Rosaka by name. But he says: "People must vote for a candidate who has not inherited his seat and

is not a second-generation poli-

Nearly every post-war prime minister has a son or son-in-law in politics, though Mr Toshiki Kaifu, the present office-holder, is an exception. But among his predecessors, Mr Noboru Takeshita has a daughter married to the son of Mr Shin Kanemaru, a party alder statesman. Mr Yasuhiro Nakasone has a son in the upper house. Mr Takeo Fukuda upper house. Mr Takeo Fukuda is campaigning at the age of 84 to win a lower house seat for his son. So is Mr Zenko Suzuki, aged 78. It used to be said of the late Nobusuke Kishi, whose son-in-law, Mr Shintaro Abe, hopes to succeed Mr Kaifn, that "in Japanese politics blood flows thicker than water and most of it is Kish.

water and most of it is Kish-Mr Suzuki already has a



son-in-law, Mr Taro Aso, in the Diet. Mr Aso is in turn the grandson of Mr Shigeru Yosh-ida, another former prime minister, and a brother-in-law of Prince Tomohito, a coustn of the emperor. The families of all but five of Japan's 19 post-war prime ministers have in one way or another allied thamselves by marriage to the imperial family.

As well as status, family ties secure money. Mr Takeshita and Mr Nakasone both have daughters married into families owning the Takenaka and son-in-law, Mr Taro Aso, in the

lies owning the Takenaka and Kajima construction companies. The construction industry is one of the LDP's most gener-

In Tokyo, the Kosakas sit near the edge of these circles of power. But in Nagano, they are power. But in Nagano, they are right in the centre, one of the wealthiest families in the pre-fecture, with investments which include a stake in Shin-Etsu Chemical, a leading Japa-nese chemicals group. Big local companies support Mr Kosaka with money and with holidays for employees who want to

for employees who want to attend his campaign rallies. A Kosaka aide says that when Mr Kosaka senior retired the campaign committee con-sidered five or six candidates.
"Mr Kosaka jumor was chosen because he was the best per-son. It doesn't matter if you are a second-generation politician as long as you are working for Japan and your constit-

ency." But there are signs that Jap-But there are signs that Japanese voters' tolerance for nepotism may be wearing thin. One opinion poll company estimates that in the last general election in 1986 only half of the LDP's second-generation candidates who were standing for the first time won their seats. This time only one third may be successful. be successful.

Even though the Recruit

scandal had nothing to do with nepotism it highlighted the way politicians put their pri-vate interests before public ones and increased demands

But the distinction between But the distinction between private and public interests is blurred in Japanese electoral politics. The typical constituency for the Diet's lower house has three, four or five seats—so members of the LDP run against each other. Successful candidates have to build personal followings of thousands of supporters who are bound together by a mixture of promises, favours and occasional together by a mixture of prom-less, favours and occasional bribes. These organisations do not belong to a party but to an individual. It is easy to see why nepotism flourishes in these conditions and very diffi-cult to see how it might be

from the Likud-Labour Government in protest at Mr Shamir's policy on proposed Israeil-Palestinian peace talks.

The moment passed quickly as Mr Shamir's backers found their voice again. But it symbolised the depth of the chalcase Mr Shamon had issued to lenge Mr Sharon had issued to the Prime Minister by his surthe Prime Minister by his sur-prise realgnation. By taking such a step he opened more widely than ever a simmering rivalry between the two men over the control of Israel's dominant political movement, a compact of right-wing forces which Mr Sharon was instru-

mental in constructing in 1973.

The extraordinary climax of the meeting, when Mr Shamir and Mr Sharon stood at oppoand Mr Sharon stood at oppo-site ends of the ministers' podium, bawling for support from the 3,000-strong crowd roaring and waving beneath them, can hardly have encour-aged Likud voters or impressed a wider public already con-fused by the level of commit-ment in Likud to making peace with the Palestinians.

with the Palestinians.

Both men claimed to have "won" the televised confrontstion, Mr Shamir rather more plausibly than Mr Sharon. But even if, as he almost certainly does, the Prime Minister com-

does, the Prime Minister com-mands a majority in the party, the meeting showed clearly that he does not have the com-plete hold he would like. Since he succeeded the unchallenged Mr Menachem Begin as leader of the Likud — which means unity — on Mr Begin's retirement in 1983, the much less charismatic Mr much less charismatic Mr Shamir has had to contend with frequent challenges to his supremacy. He has always guished — them. And the burly Mr Sharon has always been his

main opponent. Mr Sharon's most recent position as Trade and Industry Minister belies his history as the best known living military figure in Israel From his days as a buccaneering but often brilliant commander in Israel's main wars to his masterminding as Mr Begin's Defence Minister of the notorious invasion of Lebanon in 1982, Mr Sharon has evoked admiration, losthing and plenty of attention.

Although not from the fiercely militant, non-socialist "Bevisionist" background of Mr Begin and Mr Shamir, he was a key figure in forging the creation of Likud, chiefly out Mr Begin's Herut (Freedom) party and the Liberal Party.
The alliance was to sweep to
power in the 1977 elections,
breaking the erstwhile monopoly of the Labour movement.
Mr Sharon was forced —
reluctantly — to resign as
Defence Minister following the
1982 Sahra and Chattle mess.

1982 Sabra and Chatila massa-cres in Beirut, but he retained enough political clout to get back into the cabinet in the present partnership with Labour.

His absolute commitment to His absolute commitment to making the Occupied Territories part of a Greater Israel and, latterly, his calls for the Palestinian uprising in the West Bank and Gaza Strip to be mercilessly crushed, find a bedrock constituency in Likud. He sees himself as the strong. He sees himself as the strong, unyleiding leader who alone can deliver the country from its heatile with the country from its hostile neighbours.

Opinion polls show only minority support in the country for him and his stance, and a majority in favour of Mr Shamir's cautious peace moves. However, Mr Sharon's supporters see fertile ground in a concurrent public distrust of the Palestine Liberation Organisation – upon which the success of a peace deal would depend – and a yearning for stronger political leadership.

In the Likud, Mr Sharon's power base has been insufficient to upseat Mr Shamir He

cient to unseat Mr Shamir. He has, for example, little support among Likud members of Parliament. But his strength, as Mr Shamir knows all too well, lies in grassroots support within the party.

Where the Likud row left the

prospects for peace talks remained uncertain yesterlay. Some government officials argued that the removal of Mr Sharon freed Mr Shamir to make the compromises neces-sary to get negotiations off the ground

If he does not the Labour Party is again threatening to bring the coalition down. But other officials said Mr Shamir could not afford to soften his position if he wanted to isolate

Dumpling candidate rises above Recruit scandal

By Robert Thomson in Ise, Japan

KNEELING on tatami mats, 55 knekling on tatams mats, 55 elderly citizens listen to their local candidate, Mr Takao Fujinami, former Chief Cabinet Secretary and star defendant of the ongoing Recruit scandal trial, explain that "I stand naked before you."

His blue suit decorated with a stant white vecestic the condidate is

plant white rosette, the candidate is as well known to the locals for his family's sweet bean dumplings and his skill with traditional verse as he is for his politics and policies.

Even the dumplings, made by his family for more than a contary, have been tainted by the Recruit stock scandal. They are formally known as

scandal. They are formally known as Rikyu dumnlings, having been named after a tea ceremony master, but

Cricket tour

cut short in

protest deal

THE tour of a rebel English

cricket team was sharply cur-

tailed yesterday under an

agreement with anti-apartheid

Union agreed to call off the

team's test match against the

South African national team

and cut the English side's remaining schedule from eight matches to four one-day matches. The players will fly home two weeks early on Feb-

The National Sports Con-

gress, which opposes apartheid in sport, agreed to withdraw protest action, sald general sec-retary Krish Naidoo.

compromise that would have been unthinkable even a few months ago. On the one hand are arraigned two of the most powerful forces in white South African society — law and order, and sport. Set against them has been the anti-spartheid lobby, determined if not to stop the tour at least to make life uncomfortable for

make life uncomfortable for

The compromise has been possible because the Government realised that the specta-

cle of near-daily demonstra-

tions against the cricketers was not only had public rela-tions but potentially danger-

Mr David Graveney, player

manager for the rebels, said they were "stunned and con-fused" to hear that their tour

was to be cut short. The English team defied an interna-

tional ban on sports contacts with South Africa. The players

were reported to be receiving £100,000 for two tours, this summer and next, with captain

Mike Gatting being paid

the players.

The decision represents a compromise that would have

The South African Cricket

By Our Foreign Staff

groups, organisers said.

pun-loving Japanese now call them "Recruit dumplings".

The scandal-affected campaign, backed by old friends and staffers who have invested careers in a man once considered a likely future prime minister, is on the verge of success. Local opinion polls suggest he will take the third of four seats in the Ise electorate, on the south-east coast of the main Japanese island, Honshu. Standing as an independent, but

the main Japanese island, Honshu.

Standing as an independent, but certain to rejoin the ruling Liberal Democratic Party if he is acquitied, Mr Fujinami addresses from 30 to 50 small gatherings a day, making a point of shaking hands with everyone. While apologising profusely for the embarrassment caused by

Recruit, he maintains his innocence of the charges of taking bribes from Recruit, an information and employment company.

Typical of Mr Fujinami's helpers is Mr Takao Yamanaka, 57, who went to primary school with him and has assisted in eight election campaigns. He has not thought of abandoning his friend, because "person-to-person relations are everything in Japan" and "when a person is having moni-

relations are everything in Japan" and "when a person is having problems you must help him".

Mr Fujinami, who has already appeared in the trial, will be back in court in the coming weeks.

Obviously, it would be a serious loss of face for Mr Yamanaka, who

ami is indeed found to be on the take. He said that very lew of the 45,000 or so members of a "Fujinami fan club" had resigned, and, if the candidate can gather another 20,000 votes, he should keep his seat.

Apart from apologies, the focus of Mr Fujinami's campaign is local issues. He emphasises that he has influence in distant Tokyo, and has plans for a new bridge, a grand exposition, an expressway and a tourism boom. After a 10-minute speech, Mr Fujinami and three assistants, one hauling a portable public address unit, politely excuse themselves, and jog to a waiting car.

Shinto shrine and has had four his-torical novels published, if Mr Fujin-ami is indeed found to be on the take.



rs hang on to an articulated lorry on their way to Soweto's Soccar City stadium yesterday to hear Nelson Mandela speak

Mandela goes home to well ordered Soweto

traditional African horn marked the formal end of the day's proceedings, the master of ceremonies told the 100,000 strong crowd that a set of car keys had been handed in and a few minutes later the helicop-ter carrying Mr Nelson Man-dela lifted off from Soccer City

made the chaotic rally in Cape Town last Sunday, celebrating the first day of his freedom from 27 years in jail, seem like a bad dream.

A few minutes later, Mr Mandela was driven up to his old home in Soweto in a maroon BMW belonging to a prominent Soweto businessman. Thoughtful planning insured there were portable

THE drawn-out blast from a toilets on hand to meet the needs of thousands of assem-bled supporters and journalists from around the world.

Meanwhile the stadium crowd dispersed in a manner which would have delighted

the hooligan-harrassed managers of European football clubs.

A column miles long walked quietly, or indulged in the gyrating dance known as the topitoyi, waving at passing motorists and chanting "Viva ANC

Traffic police on duty gave clenched fist salutes to drivers blithely ignoring the rules of

Most of Mr Mandela's African predecessors held their cel-ebration rallies in dusty town-ship squares or football fields, with crowds straining to catch

the words from a single crack-ling microphone while a mot-ley collection of vehicles pro-vided a cavalcade of sorts. But yesterday saw the mod-ern face of black South Africa,

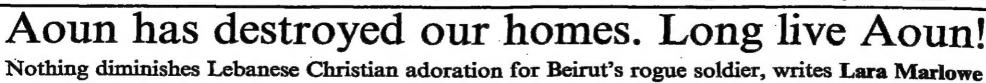
separated from the rest of the continent by more than the nearly three decades since Mr Mandela was last in Soweto. Mr Mandela came home to a constituency of a size and an influence that none of his predecessors on the continent predecessors on the continue had experienced when they were preparing - as he may well be doing - to take

Mr Mandela's exhortations were carried by a sound sys-tem that would have done jus-tice to a Rolling Stones concert. Fleets of buses bringing his supporters rolled along

what are some of Africa's finest highways. The other side of Soweto and another face of black South Africa is all too apparent in parts of the township's poorest neighbourhoods. But this journalist got lost and ended up in what by any standards were affluent avenues of multi-bed-roomed detached homes.

A kindly resident helped out the foreigner, travelling with him part of his way in the course of which she explained that she had just returned from the US where she had been doing a post-graduate degree in Business Administra-tion at Howard University in

Washington, DC.
She had been back less than
a year. It was, she agreed, a
good time to return.





Acun: set to be sole ruler

TOTHING seems to diminish Pierre Gemayel in 1936, the Phalange is Lebanon's oldest fighting body. The Phalange — much more than Gen Aoun's army — had "protected" Christian interests by fighting Palestinians, Druze and Moslams through the adoration for General Michel Aoun of his followers in East Beirut. He it was who started wounded men and women in East Beirut hospital beds, many of whom have also lost family members, still 15 years of civil war.

What is more, unlike Gen Aoun, the militia had constructed an infrastructure of television and radio stations, hospitals, employment, public transportation, taxation and housing for the families of their adherents. No one could have imagined that the Christians of Lebanon would turn against an institution so closely entified with their own fate,

It seemed incredible last week to hear the residents of the Phalange-controlled district of Ashra-fieh – one of those hardest hit by nine days of artillery bombardments and street fighting that killed 365 people and wounded another 1,582

praising the general who had gun at [his] back". destroyed their homes.

True, the Lebanese like a winner.
Gen Aoun had just taken the Phalange stronghold of Dbayeh and was preparing his forces for an assault on the Kesrouan mountains and Jounieh. Phalangist militiamen admitted they were demoralised. Doctors in the Hôtel Dien hospital said that two militiamen had shot themselves so they would not have

to fight any more.
The general has apparently touched some deep chord in Chris-tians who resented the militia's authority and blamed the Syrians for everything wrong with their country. Now Gen Aoun appears set to become the sole ruler of the Christian enclave.

When Gen Aoun attacked the Phalange, he said that he could not contimue his "war of liberation" with "a Gen Aoun has promised "hell" if the Phalange do not give up their weapons and barracks, agree to become a border police under army command and condemn the Tail

To Gen Aoun, "Taif" no longer signifies a document laboriously negotiated by Christian and Moslem parliamentarians for three weeks last October in the Saudi mountain resort of that name. Instead, it has become synonymous with words redolent of the Second World War. Vichy, Pétain, collaboration, quislings, the Fifth Column.

peace accord.

With each day that Gen Aoun remains in the Baabda presidential palace, more power seeps from the Tair peace accord and the internationally recognised presidency of

No government in the world recog-

nises Gen Aoun's military junta as the legitimate government of Leba-non. The isolation will be a hard-ship. But Gen Aoun is willing to wait. His greatest failing, his inability to plan for the future, has also proved to be one of his greatest

When Gen Aoun controls all of the Christian enclave, he will wait - for the death of President Hafez al-Assad of Syria, for a revolution in Syria, for any number of unforest ble events that might strengthen his

Many Moslems in west Beirut say that his staying power suggests there is some kind of secret international backing behind him. In the meantime, another war between Gen Aoun and the Syrians – and helper another war believe the true helper and the secret in the secret another war between the two halves of the divided city - seems inevita-



By Andrew Marshall

BRITAIN has provisionally agree to reduce the size of its military protection zone around the Falkland Islands as part of a move towards restor-ing diplomatic relations with Argentina.

Representatives of Britain and Argentina open two days of talks in Madrid today on the issue of resuming full relations, broken since the 1982 Falklands conflict. A deal on the Falkland Islands Protection Zone, the most contentious issue for Argentina, has been initialled by both sides, and is now ready to be signed, diplomats said yesterday.

By Bernard Simon in Ottawa

CANADA'S left-leaning New

Democratic Party has scored an important breakthrough by

winning its first parliamentary

seat in Quebec. In a by-election held on Mon-

day in the Chambly constitu-ency, south-east of Montreal, Mr Phil Edmonston, the NDP

candidate, gained a convincing 68 per cent of the vote, putting him far ahead of the Liberal

candidate, with only 17 per

cent.
Despite visits to the area by

del Solar, a senior career diplo-mat, and Britain by Sir Crispin Tickell, Britain's representative at the United Nations. The Madrid conference will focus on what is for the Argentine side the final hurdle to diplomatic relations, the continua-tion of the zone.

The FIPZ was instituted after the 1982 war between the UK and Argentina over the South Atlantic archipelago. It is patrolled by Phantom and Hercules aircraft of the Royal Air Force, based at Mount Pleasant on East Falkland, and submarines and ships based at Mare Harbour.

Under the deal, the zone would remain in place but be

and other cabinet ministers, the Conservative candidate

gained less than 10 per cent of the vote. The seat was previ-ously held by a Conservative,

who resigned after pleading guilty to fraud charges. Mr Edmonston, best known

as a grassroots consumer advo-cate, emphasised his own attri-butes in his campaign rather than the NDP's mildly socialist

Furthermore, he voiced

reduced from its present 150-mile radius. In the area mile radius. In the area between the existing zone and the new zone, mutual consent would be required for military activities. Advance warning for any actions would be given, effectively giving a further guarantee of security to the UK forces at Mount Pleasant on the islands while demilitarising part of the zone.

ising part of the zone. The new arrangement will be reviewed regularly but, given the degree of compro-mise on its part, the UK is unlikely to want any immedi-

British diplomatic sources have reiterated since negotia-tions started last August, at

NDP makes parliamentary breakthrough in Quebec

troversial constitutional agree-

ment which recognises Quebec as a distinct society within

Canada. The party has recently back-tracked from its earlier.

backing of the accord.

The NDP, which now has 43 seats in the 295-member House

of Commons, invested an unusual amount of energy and

the first meeting in New York, that the zone's removal is not concession by Argentina, feasible until Argentina has which has always insisted that feasible until Argentina has clearly rescinded all intention of launching fresh armed attacks on the islands, and persuaded Britain (through practical proposals) that such guarantees will be kent

cal proposals) that such guar-antees will be kept.

The Foreign Office would not confirm details of the deal yes-terday, but Mr Timothy Sains-bury, Under Secretary of State at the Foreign Office, has said that alternative arrangements for the zone would be considfor the zone would be considered. The primary goal was to achieve at least the same level of security, the Foreign Office

The Chambly win is likely to

encourage the NDP to give attention to Quebec once again, and probably to revive a

debate within the party on its

support for a strong central government in Canada. Mr

Duncan Cameron, president of the Canadian Centre of Policy Alternatives in Ottawa, said

Mr Edmonston's presence in the NDP caucus will "force it

it must go. But President Carlos Menem, and Mr Domingo Cavallo, the Foreign Minister, are keen to present a political success to a currently disgrun-

thed Argentine public.
The previous Argentine government, under Mr Raul
Alfonsin, made the question of Alfonsin, made the question of sovereignty over the Falkiands central to any meeting between the two sides. But the Menem Administration has contented itself by placing that subject under what it calls a "diplomatic umbrella" for consideration after diplomatic relations have been restored.

many English-speaking

Ontario communities are rejecting bilingualism. While Chambly's residents are over-

whelmingly French speaking, Mr Edmonston is a bilingual Anglophone.

Anglophone.

The by-election is a particular setback to Mr Clifford Lincoln, the Liberal candidate. Mr Lincoln, a former Quebec cabinet Minister, had hoped to use the win at the polls as a spring-board for his bid for the leadership of the federal Liberal

to undergo sea change Bernard Simon on restructuring a province's economic mainstay

TEWFOUNDLANDERS are a unique breed of North American. Their North American. Their Irish-sounding accents and remarkably evocative place names. — Little Heart's Ease, Come-by-Chance and Witless Bay, for example — are unlike any other on the continent.

The House of Assembly in St John's is the only legislature in the Commonwealth where government members sit to the left of the Speaker — a relic from the days when the governing party chose the side of

eming party chose the side of the chamber with the fire-

In one important respect, though, Newfoundlanders would like to be a little less different. At the same time as the rest of Canada and the US are heading into a cyclical downturn, the province hanging on the north-east edge of North America is also struggling to overcome deep-rooted structural problems.

Newfoundland's unemployment rate, at over 15 per cent, is the highest in Canada, roughly double the national average. Though its taxes are the highest in the country, the province's budget deficit and accumulated debt are propor-tionately also the biggest. Almost half Newfoundland's budget revenues come in the



form of transfer payments from the federal government in Ottawa, and 69 per cent of those are "equalisation" pay-ments – in other words, a sub-

sidy from the richer provinces. The birth rate has dropped sharply in recent years and, with a population of only 560,000, Newfoundland has little to draw outsiders, whether companies or individuals. Many of its best-educated people leave for other parts of Canada; 9 per cent of those who remain are on welfare.

who remain are on welfare. The search to correct these imbalances has accelerated in the past year with the discov-ery that the once-rich fishing grounds surrounding New-foundland are severely depleted as a result of over-fishing, by both Canadian and foreign vessels. Fishing is a mainstay of the province's economy, providing 40 per cent of total employment in the goods-producing sector and almost a quarter of its output. The very structure of the fishing industry complicates any effort to make the econ-

any effort to make the economy less dependent on it. Many of the 55,000 people employed in the fishery live in 700 remote "oniports", some of them accessible only by sea. The outport economy is quite different from the cash-orcredit way of doing business in the rest of North America.

A large number of fishermen and fish plant workers have a job for only part of the year, in many cases for just the 10 weeks needed to qualify for generous government unem-

generous government unem-ployment benefits. The average Newfoundland fishing family earns only about a quarter of its total income from fishing, with over 40 per cent coming

The fishery crisis has raised sensitive questions about the future of the fishing communities. In particular, policymakers are pundering the degree to which people should be wesned from the fishery, and the extent to which they should be encouraged to move to larger centres to find other

Before the latest crisis struck, a start had been made with fundamental - and beneficial - restructuring in the fishery, with the emergence of some mid-sized fishing companies, a greater emphasis on product quality, more sophisti-cated marketing and better labour relations. With fish stocks unlikely to recover for at least five years, there is a widely-held view that political pressures will now force a tilt towards short-term measures to keep people at work (if only for long enough to qualify for the dole), rather than the more painful strategies needed to ensure the fishery's long-term

viability. The quota for northern cod the key species for the New-foundland fishery, was cut from 235,000 tonnes in 1989 to 197,000 tonnes this year. But many fish experts doubt that the 1990 quota is low enough to

replenish the stocks.

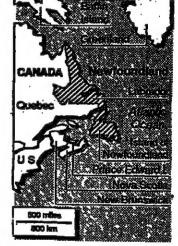
The Newfoundland Government is putting off the day of reckoning by providing financial support to keep three processing plants open for at least one more season, even though they will operate at about half their capacity. The three plants employ about 1,600 people.

Mr Victor Young, president of Fishery Products Interna-tional, Newfoundland's biggest fish company, warns: "There are enough fish to keep the plants operating, but not to keep them running effectively the programment of the plants of the p if your long-term objective is survival in the marketplace."

The Newfoundland Government last year set up an Ecoment last year set up at Eco-nomic Recovery Commission with a 6-10 year mandate to seek long-term answers to the province's economic problems. Dr Douglas House, the commis-sion's glast House, the commission's chairman, says its work will include components both for adjustment of the fishery and for diversification.

To encourage greater involvement of local communi-ties in planning for their future, some government ser-vices and decision-making authorities have already been delegated to a regional level. The Government has also started a programme to encourage small businesses to provide long-term employment rather than simple "make-work" projects designed to qualify people for unemploy-

Under the new scheme, the Government subsidises the first and third 20 weeks of wages, provided the business carries the full burden in the middle 20 weeks. Dr House expects that the tourism industry will grow, over the next



few years, and that the small and medium-enterprise sector

will be stronger.
In the fishing industry, the hope is to encourage greater processing and value-added products. Dr House predicts that fewer people will be employed in the fishery in the future, but that the industry will generate more wealth than

Newfoundland's best hope for a rebounding economy is development of Hibernia, the olifield which was discovered 10 years ago 195 miles east of St John's. A binding contract for the C\$8.5bn (£4.2bn) project or the CS8.5bn (£4.2bn) project
which would produce 110,000
barrels of oil a day by 1996 – is
due to be signed by the end of
June, provided the federal and
provincial governments and a
four-company consortium led
by Mobil Oil Canada can come
to an agreement. to an agreement

In macro-economic terms, In macro-economic terms, activity generated by Hibernia should take up much of the slack of the fishing industry. Newfoundlanders are well aware however, that the challenge will be to manage the libernia horange in such a Hibernia bonanza in such a way that its benefits will be widely spread and long-lasting.

Brazil sees evidence of downturn in economy By Ivo Dawney in Rio de Janeiro

BRAZIL is at last witnessing evidence of a long-expected economic downturn after the impact of restocking by indus-try and a mini-boom in sales of consumer goods has given way to renewed caution.

With most forecasts predict-ing inflation for February of well over 70 per cent, businessmen in São Paulo are reporting a fall of about 5 per cent in sales against January. Unemployment, which had fallen to historic lows as companies attempted to raise their inventory to hedge against inflation, is now on the rise again.
Yesterday, the São Paulo's Industries' Federation (Flesp)

reported 14,000 redundancies in the state last month — the largest fall in the period for five years. Though the figures represent only activity in the formal economy, they indicate

levels of business activity in the state. Fiesp also predicted that sharper falls could be immi-

nent as industry prepares to batten down the hatches before the inauguration of the govern-ment of Mr Fernando Collor de Mello on March 15. Sales of consumer durables

have declined drastically. Brastemp, Latin America's largest manufacturer of white goods, has given its employees 20 days free holiday as stocks of unsold goods have mounted. Steel wholesalers are reporting clients attempting to sell back their stocks after fears of a shortfall produced a surge in demand towards the end of last

in part, the switchback per-formance of demand is a direct consequence of uncertainty over what steps Mr Collor will take to tackle inflation

money in Quebec during the 1968 general election campaign. But squabbles within the party and its stand against the US-Canada Free Trade Agreement cast it support to think of Quebec every day".

The Chambly result was also evidence of linguistic tolerance in Quebec, at a time when wholehearted support for the Meach Lake Accord, the conship of the federal Liberal Party. Prime Minister Brian Mulroney Software and data from different sources don't always see eye to eye. IF YOU MANAGE AN INTERNATIONAL INVESTMENT SHIP, CONTACT KATE WATSON ON 01-253 3379.

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& United Newspapers Company.

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Mexico to privatise

jovernment bis # a programm : age small business: long-term employ projects designal: people for mean it the new scheme

nment subsidises b and third 20 seens provided the base the full burden ko 20 Weeks. Dr lie that the terrisonic Baths F

veillance. The agreed formula is known as "two plus four", under which discussions on "quite close to an agreement." Ottawa on the Open Skies Inl-

By Richard Johns in Mexico City

THE Mexican Government is

to sell state-owned Asegura-dora Mexicana (Asemex), the country's largest insurance

group, an offer likely to inter-

est foreign companies.

The sale of the the company

is likely to raise something in the range of \$150m (£89m) to \$220m, according to insurance

industry experts, one of whom described the company as

"extremely strong".
In announcing the privatisation plan Mr Jacques Rogozinski, director of disincorpora-

tion at the Ministry of Finance, sald Banca Serfin had been

Under a change in regula-

tions last year foreign compa-nies, previously restricted to

the reinsurance business with a few exceptions, would be able

to bid for 49 per cent of Ase-

23rd largest Mexican company

in 1988 in the last survey of the

top 500 conducted by the busi-

1988 of Pesos 348bn (\$152.5m at

the exchange rate prevailing then) and total assets of Pesos

1,584bn, it generated sales of

Pesos 767hn in that year and a profit of Pesos 376n.

and sickness, civil responsibil-ity, professional risks, mari-time and transport and fire

business, but not life insur-

Asemen handles accident

With a capital at the end of

ness magazine Expansion.

Asemer was ranked as the

chosen to handle the sale. .

biggest insurer

leaders were last night close to

agreement on an international

framework for discussing a

unified Germany.

This breakthrough, awaiting final approval by the Soviet

leadership in Moscow, follows intensive diplomatic exchanges in the past two weeks, notably

among foreign ministers attending the conference in

NATO and Warsaw Pact internal arrangements for reunification by the two existing German states would be complemented by talks on external, security matters involving the four war-time allies, the Soviet Union, the US, Britain and France. The aim is to combine the principles of self-determination for the German people with the

wider security concerns of the Soviet Union and Germany's

tion if it was sold together with the state-owned Asegurado Hil-dago, which deals with life insurance. But the Govern-

ment has decided not to sell

the latter, which provides cover for the country's bureau-

A considerable capital infu-

aion would be required for Ase-

mex to build up a life insur-

An announcement is also

expected soon on the sale of

expected soon on the sale of Compania Reel del Monte y Pachuca, a loss-making silver mine in the state of Hidalgo, to the Grupo Autrey, a consor-tium of businessmen from

Monterrey, Guadalajara and

a debt equity swap. With the Mexican sovereign debt cur-rently being traded at about 40 cents to the dollar the effective

cost to the purchases would, therefore, he about \$30m. Real del Monte y Pachuca was the first silver mine to be

exploited by the Spanish con-quistadores in 1542 and is esti-

mated to have produced a total of 2bn oz of silver to date. Last year it produced 146m oz of silver and 7,278 oz of gold.

This year the Government is pianning to sell 42 public entities. Mr Rogozinski said in a recent interview that it expec-

ted to raise about \$800m from

principle" and were waiting for "final acceptance from

Ministers close to formula for discussing reunification

Moscow". Mr Hans-Dietrich Genscher, the West German Foreign Min-ister, said his country respected "the rights and responsibilities of the four powers with regard to the whole of Germany. The negotiations that the two German states will hold with each other on unification will not take place behind the backs of the four powers. We want the two German states to seek their participation and agree-

uncertainties over how these arrangements will work out in practice, in particular over the involvement of a unified Germany within Nato. Mr Eduard Shevardnadze, the Soviet Foreign Minister, repeated his opposition to a united Germany being the News thousand opposition to a united Gar-many being in Nato, though Mr Hurd said that not only were the western allies opposed to the concept of a united, neutral Germany but so were a number of East Euro-pean states such as Poland and Hungary.

US and other western offi-

the formula in giving due

regard to Soviet security con-cerns. US and German officials

claim that Soviet leaders are "quite interested" and flexible. Mr Eduard Shevardnadze, the

Mr Eduard Suevastusianse, has Soviet Foreign Minister, has talked in Otawa of "room for negotiation" over the security

arrangements for a united Ger-

many.

In substance, the "two plus four" discussions would begin, probably at foreign minister level, after the East German elections on March 18. While

the two German states would

discuss the details of the legal

and economic framework, the

other four countries would

become involved - as equal

There remain considerable cials welcomed assurances incertainties over how these from Mr Genscher that the aim of unity was the present West and East German states and the whole of Berlin - "no less and no more. We do not have territorial claims against any of our neighbours. Mr Hurd said there would have to be clear and binding commitments on the borders of

Mr Genscher argued that the negotiations on conventional force reductions in Europe in Vienna "must be followed without a break" by further

the forces of basing countries (that is including Germany must be included in talks about conventional force reductions, though he realised this would have "far-reaching effects on the strength of the Bundeswehr".

Officials were preparing a communique which would stress that both sides wanted a conventional forces treaty to be signed later this year, though not resolving differof combat aircraft and on manpower cellings for US and Soviet troops in Europe.

the four wartime allies of their

residual rights over Berlin. But

there is reluctance to get involved in a formal peace

meeting in early June. It is unclear how these talks would fit in with the CSCE

meeting scheduled for autumn. Mr Genscher talked yesterday

of the summit discussing "a common pan-European struc-ture" covering security and

the architecture of the peace-

ful European order". The British favour a more

modest role for the CSCE summit as a meeting where the conventional forces treaty and

example a new conciliation role in Europe for CSCE — rather than as a grand con-

gress of Europe. The US sees the meeting as the fulfilment of existing discussions, includ-ing "two plus four", rather than the decision-making sum-

mit on the future security of

new initiatives launched

economic sanctions. Why all this White House activity? The simple answer is that South Africa is back as a political issue in the US – best demonstrated by the surge in US television coverage. Dan

Bather, CBS News's deadly earnest anchorman, is broadcasting from Soweto; part of Mr Mandela's football stadium speech yesterday appeared live on breakfast TV.

Like most US presidents Mr. on breakfast TV.

Like most US presidents, Mr

Bush feels obliged to pronounce on world events and, if
possible, play a part in them.

He is not above hinting at the

dela and Mr de Klerk to come to Washington as soon as they A more basic calculation is that Mr Bush may be trying to use South Africa as a counterbalance to his China policy. Mr

Bush sees political mileage in tributes to Mandela, de Klerk

US PRESIDENT George Bush,

it seems, cannot say enough about the release of Mr Nelson

Mandela. First came a snap news conference in the Rose Garden on Sunday; the follow-ing day, Mr Bush paid tribute to President F.W. de Klerk and

Mr Mandela in the White House press room, while ruling out any move to roll back US

There is a second reason for Mr Bush's interest in South Africa, Unlike President Reagan, Mr Bush is interested in cultivating black voters. In fact, he has scored consistently highly with them since taking office: a year ago, he had a 61 per cent approval rating among blacks; now that has climbed to above 70 per cent almost as high as with

Mr Bush captured only 12 per cent of the black vote in the 1988 general election. But because the black vote shrank to between 75 per cent and 80 per cent of its usual size (partly because of disillusion with the Dukakis campaign and the perceived mistreat-ment of the Rev Jesse Jackson). Mr Bush's share actually

In certain areas, such as Baltimore, Chicago and Philadel-phia, the fall in the black vote helped Mr Bush considerably in his bid to carry the state. In middle class black areas Mr Philips reckons Mr Bush could win up to 25 per cent of the black vote in 1992.

The promise of future electoral returns explains in part Mr Bush's embrace of Mr Mandela, his courting of black nationalist leaders such as Mr Walter Sisulu and his reluctance to join Mrs Margaret Thatcher, the UK Prime Minis-ter, in a drive against economic sanctions. He is, it must be said, also a lot more sensi-tive to blacks than Mr Reagan.

treaty, which would be unnec-essarily time-consuming. The timetable and detailed arrangements are naturally uncertain. For instance, other role of peace broker - hence his invitation to both Mr Manwestern nations, apart from the US, Britain and France, would also have a say, proba-bly via the Nato ministerial

Kevin Phillips, the Republican political analyst, points out that Mr Bush's sudden prececupation with human rights in South Africa is aimed in part at compensation for his perceived lack of concern about human rights in China.

Poll shows Sandinistas lead

By Tim Coone in Managua

THE ruling Sandinista party (FSLN) in Nicaragua is pre-dicted to win the forthcoming general elections by a substan-tial majority, according to the latest opinion poll carried out by the Washington-based company Bendixen and Schroth. The results of 1,000 interviews on voting intentions, at the end of January, gave the FSLN 53 per cent, the principal opposition alliance UNO 35 per cent eight other parties 4 per cent and only 8 per cent still

The US Spanish-speaking

which contracted the survey, broadcast the results on Mon-day night. Mr Sergio Bendixon one of the two main partners of the polling company said that Nicaragua's President Daniel Ortega "probably now has an unbeatable lead." The elections are to be held on February 25.
The Univision poll has pro

duced a similar result to that of another US polling firm organisation Greenberg-Lake which in two recent and separate surveys has come up with results giving the FSLN a substantial lead over UNO.

Two plus four and one Germany

Peter Riddell looks at the likely framework for security talks

A has grown for Two
Pins Four as the formula for discussing the security implications of a reunified Germany, there has been a rush of rival claims of pater-nity, and even maternity. But for all the enthusiasm of Mrs Thatcher's Fleet Street supporters, the linking of the two German states and the four wartime allies (the US, Soviets, Britain and France) in formal talks on the external aspects of a united state is essentially a US/German initia-tive — the balance depending

on the source - with other allies being consulted. According to a senior State Department official, US policy-makers concluded two or three Tijuana.
It is understood that the price agreed is \$75m but that purchase will be made through weeks ago that the principle laid down last December for step-by-step unification were being overtaken by the pace of events. The focus was on "how some of the external consider ations could be managed at the same time as Germany herself handled internal issues". The US view was that self-determi-

nation, the key internally, was not sufficient externally. The possibility of formally involving the Four Powers, based on their residual responsibilities over Berlin and air rights, was seen in both Bonn and Washington as unsatisfactory because it ran counter to giving the German people a central voice. The 35-nation Conference on Security and Conference on Security and Co-operation in Europe (CSCE) was seen as too large and



Genscher: discussed agenda

sovereign states - on questions such as Germany's mem-bership of Nato, the stationing of foreign troops, limits on nuclear and chemical weapons and assurances that Nato forces would not move east of the Elbe into the present East

There might also be provision for the gradual withdrawal of the very large Soviet garrison in East Germany. Mr Genscher indicated yesterday that hig cuts in forces in Ger-many, and conventional force talks going further than the current ones, must be on the early agenda.

The discussions would also

Europe.

The "two plus four" formula has emerged as a response to the rapid pace of change in Europe, an idea whose time

entage, Mr Hurd, asked about the idea's genesis said it was "a child the conception of which it is difficult to gauge". involve the final surrender by talevision network Univision.

SIEMENS

ance.

Observers believe it would be a more attractive proposition.

privatisations, including Compania Minera de Cananea, but not Telefonos de Mexico.

Siemens Diagnostic Technology is vital...because HIV is no respecter of age.

The Human Immunodeficiency Virus (HIV) which leads to AIDS is not selective about its victims. It can strike both sexes and all ages; even the youngest children. That's why an effective cure is one of the

greatest challenges facing medical

Siemens is working in close partnership with the Medical Research Council the Radiological

gether with other people affected by HIV.

Research Trust

and the Scottish AIDS Research Appeal on a research project to investigate the effects on babies and parents who carry the virus, to-

This national project is being undertaken in

Edinburgh where such problems are especially acute. The new Siemens Magnetom body-scanner plays a key role in the project, with its non-invasive technology being particularly suitable for children.

> it will be used to study the effects of the virus and to help to follow the results of treatment.

> The scale and urgency of the problem demands an immediate fund-raising programme to enable further research

If you would like to contribute or find out how you can help, please contact Professor George du Boulay, CBE, at the Radiological Research Trust, 36 Portland Place, London W1N 3DG. Telephone 01-580 4085.

to be carried out.



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WORLD TRADE NEWS

US calls for end to subsidies for shipbuilders

THE US is calling for the establishment of arbitration tribunals to enforce a multilateral cut-off of subsidies and government aid to the shipbuilding industries of industri-

huiding industries of industri-alised countries.

In the first of three sched-uled negotiating sessions now underway in Paris, Mr Linn Williams, deputy US Trade Representative, is seeking a wide-ranging agreement to bring "free market" conditions to one of the world's most subto one of the world's most sub-

sidised industries.

The proposed agreement would cover subsidised export credits, customs and import barriers, direct subsidies, tax policies, official regulatory pol-

icles, specific aid to industry and restructuring assistance. The impetus for the talks was a complaint filed last June by the Shipbuilders Council of America against West Germany, Japan, Korea and Norway. Mrs Carla Hills, the US Trade Representative, con-vinced the US industry that the best strategy would be to seek a multilateral solution through the Organisation of Economic Co-operation and Development and the General

by a third

By Mark Nicholson in

Agreement on Tariffs and She said she would review movement toward an agreement by March 31, 1990, and if sufficient progress had not been made, she would invite the shipbuilders to resubmit their petition. This could lead to US retaliation.

The US industry has been

to US retaliation.

The US industry has been through hard times in the last decade. The Reagan Administration cut off production subsidies early on, and with a strong dollar, inefficient facilities and high labour costs, US shipbuilders were unable to compete for commercial orders.

Mr John Stocker, president of the Shipbuilders Council, said the timing of the US said the timing of the US action was "exquisite" in view of the economic forces at work. World trade has been growing and the world fleet deteriorat-ing. The 1990s is expected to

produce a boom for both ship repairers and ship builders. Mr Stocker contends that the US industry has restructured and grown more efficient and could compete against unsubsidised European commercial shipbuilders if it were able to win multiple orders.

Oil exports to Poles cut

THE SOVIET UNION has cut deliveries of crude oil to Poland by a third during the first three months of this year. The Soviet government newspaper Rzeczpospolita yes-terday quoted the Polish state oil company, CPN, as saying deliveries would be reduced to 2.1m tonnes from 3.1m. The report did not say if all sched-uled deliveries had yet been

Moscow has not commented on proposed or actual oil cuts, but is known to be keen to end but is known to be keen to end traditional barter arrangements for supplying oil to its east European neighbours in favour of sales in hard currency at world market prices.

The Soviet Union is known to have cut its crude oil deliveries to other east European countries. The Czech government said in January its Soviet oil deliveries would be reduced by 20 per cent for the month. Reports from Sofia have suggested Moscow balved its oil supplies to Bulgaria in January.

January.

Mr Jerzy Szewczyk, the director of CPN, was quoted as saying petrol supplies would not immediately be affected by Soviet supply cuts. The state company would buy fuel on world markets if demand

CoCom takes a hard route to a softer line

HE western allies will today attempt to make their first move towards relaxing parts of the 40-yearold system of curbs on the sale of high technology goods to Warsaw Pact countries.

Trade officials from the 17 members of CoCom, the Co-or-dinating Committee for Multi-

lateral Export Controls devoted to stopping the sale of mili-tarily useful technology to the Soviet Union, its allies and Soviet Union, its aines and China, today start a two-day meeting in Paris. It looks set to begin the widest ever review of CoCom's rules. This shadowy and previously divided body, which numbers the countries of the North Atlantic Treaty Organisation, minus Iceland, plus Janen and Australia will plus Japan and Australia, will also try to agree on immediate reforms in response to the enormous political changes in eastern Europe. Just before Christmas, Wash-

ington, CoCom's most powerful member, significantly softened its traditional tough stance for maintaining technology export curbs in an attempt to break a deadlock between itself and a West German-led group of Europeans, which want a sweeping reduction in the list of several thousand CoCom-controlled goods. Subsequent tours by US

trade and security officials indicate that sceptical Euro-pean members need to be con-

vinced of the extent to which Washington's change of policy will really make it easier to sell technology to eastern European countries that need Western technology to build

Western technology to build their economies.

Yet CoCom officials on all sides are showing a new flexibility and readiness to negotiate in marked contrast to earlier entrenched positions, say observers. "Everybody seams to be agreed that not only must CoCom do something, but it must be seen to do something," says one.

Since CoCom decisions must be unanimous, all sides must be satisfied before any progress can be possible. Adding to the pressure for change is the growing workload on the national export licensing offices which carry out CoCom's rules as well as on the organisation's own small

Washington will table a "twin-track" plan at the meeting today of CoCom's executive committee, the organisation's second-most senior decision making body, which will set the tone for the policy-setting high level group, due to hold its annual meeting in July.

Track one consists of immediate changes, including diate changes, including streamlined methods of vetting sensitive exports and the ban-

ning of controls on some goods. These have yet to be

agreed, but it is probable that the US will accept the ending of controls on high-tolerance machine tools and computers using 32-bit microprocessors, long-standing debates where Washington and Europe have recently moved closer. Track two proposes the com-plete rethink of CoCom's rules, which would be carried out by the main US trade and intelli-gence agencies and presented to the body's next executive committee metably in May

committee, probably in May.
While the Europeans will be



acher; more steps please.

pleased with a victory on com-puters and machine tools, it looks as if they will be less likely to get instant satisfaction on their newly urgent demands, again led by West Germany, for liberalisation of CoCom controls on a range of the communications. telecommunications equip-ment. This includes digital packet switches, fibre optic technology and modulation equipment, used for packing large numbers of messages onto single radio frequencies. Efficient and democratic economies cannot function without modern telecommuniwithout modern telecommunications, argue the Europeans. There is also a basic commercial interest at stake, since AT&T of the US, Alcatel of France, Siemens of West Germany and Sweden's Ericsson are all competing for telecommunications contracts in east

European countries. Washington is cautiously working out its position on this, but has yet to be convinced. Washington's plans for an immediate streamlining of immediate streamlining of CoCom procedures envisage a two-speed licensing and vetting system, which the Europeans believe is too complicated. Technology sales to all eastern European countries, but not to the Soviet Union, would benefit from faster and lighter controls. Moscow "has yet to take several steps before we're ready to get into that mode

Warraw.

It is better, argue the Europeans, to liberalise the list of controlled goods to an enforcable and strategically realistic level, rather than introduce new complexities to a regime that is already creaky enough in its middle age.

Work begins on relaxing technology sale curbs to E Europe, writes William Dawkins with them", said Mr Robert Mosbacher, the US Commerce Secretary, on announcing Washington's liberalisation

Secretary, on announcing Washington's liberalisation move in December.

Even more liberal rules covering fewer products, on the lines of the regime agreed for exports to China in 1985, would be granted to countries prepared to police themselves to stop restricted technology being diverted to the Soviet Union. Poland and Hungary have convinced the Americans they can make their borders technology-proof.

European officials believe the two-speed idea would create an enormous bureaucratic tangle. CoCom's own experience shows that it is hard for even long-trusted national partners to stop their companies breaking the rules. Toshiba of Japan and Kongsberg of Norway, the best known CoCom rule-busters of recent years, managed to ship banned submarine propeller milling machines to Moscow easily enough, without being able to divert their goods secretly through Budapest or Warsaw.

If is better, argue the Euro-

Italy presses plan to create new Gatt

By John Wyles in Rome

THE Italian government is seeking European Community approval for a proposal to relaunch the General Agreement on Tariffs and Trade (Gatt) as a fully fledged international organisation with regulatory powers over international trade.

Mr Renato Buggiero, Italy's Foreign Trade Minister, said yesterday the proposal was being evaluated by the European Commission. He said the time had come to revive the idea of an international Trade Office (rejected by the US in 1947) so as "to reaffirm the importance of the multilateral trading system in the face of the relation of the Uruguay Round of trade talks in December, said that the General Agreement on Tariffs and Trade had been left with a temporary status for too long and that it needed a greater power of dialogue with other international institutions, especially the International Monetary Fund.

The Italian government will be in a strong position to push Mr Ruggiero's proposal when it takes over the EC Presidency in the second half of the year. Yesterday Mr Ruggiero suggested that one of the political advantages of it being adopted in December could be

ical advantages of it being adopted in December could be trading system in the face of regional systems".

Mr Ruggiero, who will be leading the EC delegation at guay Round itself.

Hyundai wins \$600m Norwegian ship deal

HYUNDAI Heavy Industries, the South Korean shipbuilding and engineering group, yester-day signed a \$600m contract to supply 10 combination vessels to Scandinavian Obo Carriers, the Norwegian shipping group.
According to Hyundai the deal is the largest yet for combination vessels, ships which are capable of carrying cargoes of oil, coal and ore simultaneously.

The ships are due for delivered

The ships are due for deliv-ery between 1991 and September, 1992. Hyundai Engineering is also to supply the engines. The announcement of the deal coincides with the release of

figures showing an improved outlook for the South Koresn shiphuilding industry. According to the Korean Shiphuilding Industry Cooperative, South Korean shipbuilders received 365,700 tonnes of orders worth \$332m in January, up from 79,650 tonnes and \$135.4m in the comparable period. Virtu-ally all the orders are from overseas customers

The increase in the orders for January gives a total value of outstanding orders of \$5.15bn, an increase of 73.5 per cent over the same period last

NEWS IN BRIEF Canon opens China plant

CANON has set up a \$20m subsidiary in China, making it the first big Japanese company to start a substantial project there since the military crackdown last June,

Reuter reports from Tokyo.

The wholly owned subsidiary, Canon Zhuhai, is located in the south Chinese city of Zhuhai, adjacent to the Portuguese-ruled territory of Macao.

The plant will assemble 1,250 auto-focus compact cambrains in October raising output to 30 000

eras a month starting in October, raising output to 30,000 a month by 1992. All the cameras will be exported. Initially most components will be shipped from Japan, but some will eventually be produced by the subsidiary. The bloody crackdown on pro-democracy demonstrators to Belling last summer damaged the confidence of many

in Peking last summer damaged the confidence of many foreign investors in China.

Shoe People take Moscow road

Storm, a British publishing company, has won a contract to supply its Shoe People children's books for the Soviet market in a joint venture with the Soviet publishers Mdladost, Our World Trade Staff reports.

The jointly formed company, Yunona, will provide 50m books depicting the Shoe People cartoon characters. The first stage of the £15m contract was signed in Moscow last week and an initial 28m books are to go on sale throughout the Soviet Union on March 1 As part of the package the Shoe People TV cartoon series will be shown on Soviet television in a prime time slot just before the 8pm evening news.

Zee-pipe coating contract

Statoil, the Norwegian state oil company, has awarded two contracts with a combined value of about NKrlbn (292m) to Dutch contractor Ncoat and UK-based Bredero Norwegian Coaters for the pipeccating of the 850km "Zee-pipe" which will carry gas from the Norway's giant Troll and Sleipner fields to Zeebrugge, Belgium, Karen Fossli reports from Oslo.

Ncoat, whose contract is worth about NKr600m, will begin work this summer at Rotterdam on 530km of pipeline, while Bredero NC will coat 320km of pipeline at its Leith facility. Work is to be completed by the end of 1992.

Today,

dealings commence in the shares of The Mitsui Bank, Limited,

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The Mitsui Taiyo Kobe Bank, Limited, on the International Stock Exchange in London.

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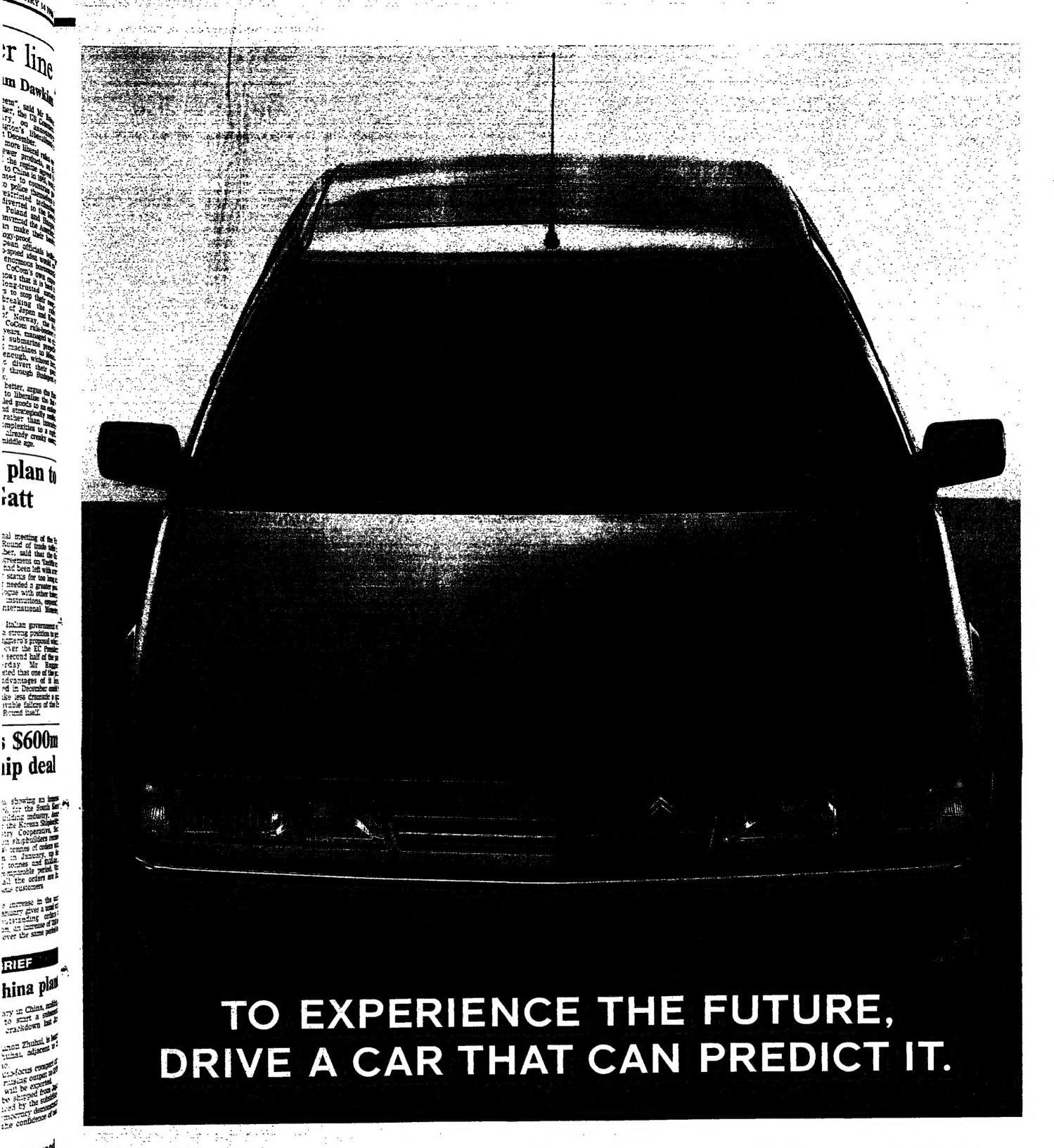
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THE ROAD AHEAD

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NEWS IN BRIEF

Airbus and **BAe** face continuing disruption

Production problems for British Aerospace (BAe) and the European Airbus consortium grew yesterday when workers at the UK company's plant at Preston in the north west of England voted to con-

west of kngand voted to curtinue their 15-week strike.

Among the 2,000 employees at a mass meeting yesterday, only about 20 voted to accept the latest offer of a 37-hour, four-day week, which would

cut two hours in two stages.
Airbus production has been severely curtailed and Aerospatiale, the French aerospace group, is pressing the consor-tium to claim costs of more than \$70m from BAe.

Ford strike vote

Shop stewards representing Ford electricians yesterday voted to continue a nine-dayold strike over the company's

pay deal.

The decision by the 60 EFTPU electricians' union, representing 1,600 Ford members, will test the company's claim that most of its plants are producing at near normal lev-

BNFL for Sizewell

British Nuclear Fuels (BNFL) has won an international com-petition organised by the Can-tral Electricity Generating Board to supply fuel and asso-ciated services worth about £18m. for Britain's first pressurised water reactor, Sizewell B in Suffolk.

The contract was crucial to BNFL plans to enter the inter-national market for PWR fuel contracts, against French, German and Swedish suppliers with domestic markets.

Scots bank offer

THE Royal Bank of Scotland is to offer small business clients discounts on personal computers, office furniture, mobile phones and travel.

ECGD advisor

Greig Fester, an independent Lloyd's broker specialising in international reinsurance. has been appointed by the Export Credits Guarantee Department to advise on commercial and political reinsurance.

Lawyer outlines massive 'unlawful share scheme'

'Greed and ambition' led accused in Guinness case

By Raymond Hughes, Law Courts Correspondent

GREED and ambition tive, Mr Ronson, head of the motivated four leading City of London figures to cross the divide between the legitimate and the dishonest in the 1986 takeover battle for the Distillers drinks group, the prosecu-tion alleged in the Guinness trial yesterday.

Mr Ernest Saunders, Mr Ger-ald Ronson, Mr Anthony Parnes and Sir Jack Lyons had

been "carried away with greed and ambition" and were "greedy for money or for power", alleged Mr John Chad-wick, QC.

He told the jury at South-

wark Crown Court, London, that the four men had been involved in a massive unlawful share support operation designed to deceive Distillers shareholders and ensure Guin-ness won its bitter battle with the Argyll group for Distillers. Mr Saunders, former Guin-ness chairman and chief execuHeron group, Mr Parnes, a City stockbroker and millionaire financier Sir Jack Lyons have

financier Sir Jack Lyons have denied charges including con-spiracy, false accounting and theft in the trial.

Mr Chadwick said the take-over battle had been fought with competing share offers.
He alleged that, aided by Mr Parnes and Sir Jack, Mr Saun-ders had set out to find people ders had set out to find people who would buy Guinness shares and so keep up the price and make the shares attractive to Distillers shareholders.

Supporters had been offered indemnities against loss on the resale of their Guinness shares and success fees in the hid succeeded. One of those supporters had been Mr Ronson. Mr Chadwick said the four accused had committed distinct but linked criminal

create a false market in Guin-First they had concealed the



The hearing continues today. Mr John Chadwick, QC, opens the prosecution case

Thatcher takes a gamble on foreign policy

share support operation both from the authorities and from

the public. Then, with Mr Saunders' approval, Mr Parnes, Sir Jack and Mr Rouson had

sent false invoices to Guinness "so that they could collect their illegal rewards." In doing

that they had been stealing

from Guinness, Mr Chadwick

He told the jury: "These are not men who are likely to make mistakes in their com-

mercial affairs. These are men who were greedy and arrogant and who thought that they

were above the law.
"But however wealthy and

powerful they may be the law applies to them just as it applies to everyone else."

Mr Chadwick said that the

"massive" purchases by sup-porters had been designed to

By Philip Stephens, Political Editor

FOR Mrs Margaret Thatcher's admirers it is a question of courage and conviction. The Prime Minister promised Presi-dent F.W. de Klerk that Britain would respond positively to reform in South Africa by beginning the process of lifting

sanctions.

She has met that pledge and in the process given the encouragement that Mr de Klerk needs if he is to follow up the release of Mr Nelson Mandela with further steps towards power sharing with South Africa's non-whites.

For some of her supporters, however, her lone stance on the issue is the latest in a series of foreign policy decisions - on Europe, Germany and disarmament - which rep-resent the biggest political gamble of her decade in office. There are mutterings that the Prime Minister's approach

risks isolating Britain during the most crucial period in post-war history: when the architecture of both Europe and of the Nato Alliance is being dramatically reshaped. In the process, the Conserva-tive Party could lose the political "trump card" which its foreign and defence policies have provided at the last two gen-

One of the Government's greatest strengths in the 1980s was the perception that it had regained for Britain an influence in international affairs in excess of its standing.

Both domestic and interna-

tional factors worked in Mrs Thatcher's favour. The recovery of Britain's economy, her close friendship with President Reagan, and the "grit" she dis-played during the Falklands war and in negotiations within Nato ran alongside her fore-tickt in identificing the Wilheld sight in identifying Mr Mikhail Gorbachev as an entirely new type of Soviet leader.

The consensus at Westminster is that it was inevitable that the Government would lose some of those cards. The upheavals in Eastern Europe, the replacement of Mr Reagan by the more independent-

minded President George Bush, and the moves towards German unification removed the certainties on which British policy had been based. On the domestic front, the

resent bout of economic probems and the resurgence in support for the Labour Party have undercut her position. Some Conservatives, how-

ever, argue that the Prime Min-ister has contributed to the process of "marginalisation" by adopting policy stances which have accentuated rather than mitigated Britain's declining influence.

Her overt antagonism towards European monetary and economic integration, her stridently cautious stance on East/West disarmament have brought private criticism from ministers as well as from backbench Tory MPs.

They have also, according to Whitehall officials, brought renewed tensions between the Foreign Office and Mrs Thatcher's Downing Street office. Mr Douglas Hurd, the Foreign Secretary, has been adept in disguising the differences, but they are said to have surfaced in private on a number of occasions.

Her critics also point to a number of occasions where Britain has appeared left behind as Washington and Bonn have mapped out together the shape of the new Europe. The enthusiasm of Mr James Baker, the US Secretary of State, for European integra-tion – such as Washington's ready acceptance of the inevi-tability of German unification, and the moves to secure troop reductions in Europe - have all been causes of transatlantic

Officials say the Bush Administration is going out of its way to give Britain notice of its policy statements – but it is notice rather than an opportunity to influence the

In parallel, Mrs Thatcher's deep misgivings about the implications for Nato and for Britain's security of German

unification are said by some officials to have antagonised Chancellor Helmut Kohl — a leader with whom she has never had a close relationship.
Mrs Thatcher's stance on all
these issues is not without its supporters. The prime minister

is said to be operating on the principle that she is articulat-ing many of the views that oth-ers hold privately. Thus, argument runs, France shares Britain's deep misgivings about the pace and implications of West German reunification; the US Administration is as concerned as Mra is as concerned as Mrs Thatcher that there should be

join her in lifting some of the sanctions against Pretoria.

She claims Mr de Klerk's efforts in South Africa could stumble and ultimately fail unless the white constituency in that country can be per-suaded that it is yielding results in terms of international opinion.

Government lists areas barred from strategic exports

By Anthony McDermott

THE GOVERNMENT today published regulations listing countries in areas of tension which are barred from receiving potentially sensitive and egic goods.

The Department of Trade and Industry also moved to relax restrictions on issuing export licences for computers. The loosening and restruct-uring of these restrictions – in effect permitting the export of computers up to the supercompoter class – comes conciden-tally with the opening of a con-troversial meeting in Paris of the 17-member Co-ordinating Committee for Multilateral Export Controls (CoCom) to discuss relaxing exports of high technology materials to the Soviet Union, eastern Europe and China.

Europe and China.

The DTI is adopting a waitand-see attitude towards economic and political developments in eastern Europe and
the Soviet Union before it
makes further amendments.

The amended regulations are

intended to speed up and sim-plify the process for UK export-ers to obtain licences. The department specifies which countries are identified denied access to materials with possi-ble uses such as developing nuclear and chemical weapons and missile technology.

The latest order, which is

The latest order, which is essentially an updated and amended version of one issued in 1987, lists exports which qualify for Open General Export Licences (Ogels).

These enable exporters to export certain industrial goods which are subject to control to an eligible destination without needing to submit an export licence ambication.

But they are subject to con-trols, worked out in conjunc-tion with the Ministry of Defence and the Fporeign and licence application. Commonwealth Office, affecting industrial, military and nuclear related equipment and technology.

by categorising more closely exportable goods, the DTI hopes to provide an information service to would-be exporters as well as reduce the number of direct applications for licences. In 1988, these numbered about 100,000 and were down to about 70,000 last year. The target of the new regulations is to reduce this number

The target of the new regulations is to reduce this number by a further third.

• The Export of Goods (Control) Order 1989. London: HMSO. 1989 No.2376. £10.80. The Export of Goods (Control) (Amendment) Order 1990.1990 CoCom takes a hard route, Page 8

Business rate for post sheme under review

HALF-PRICE post for business users between large cities could be introduced as part of plans being considered by the Government to break up the postal monopoly held by the Powel Meil

no rapid exodus of US troops from Europe; and, if Congress allowed, President Bush would Royal Mail.
The Department of trade and Industry said yesterday that it was engaged in talks with interested parties in reviewing all options for the break up of

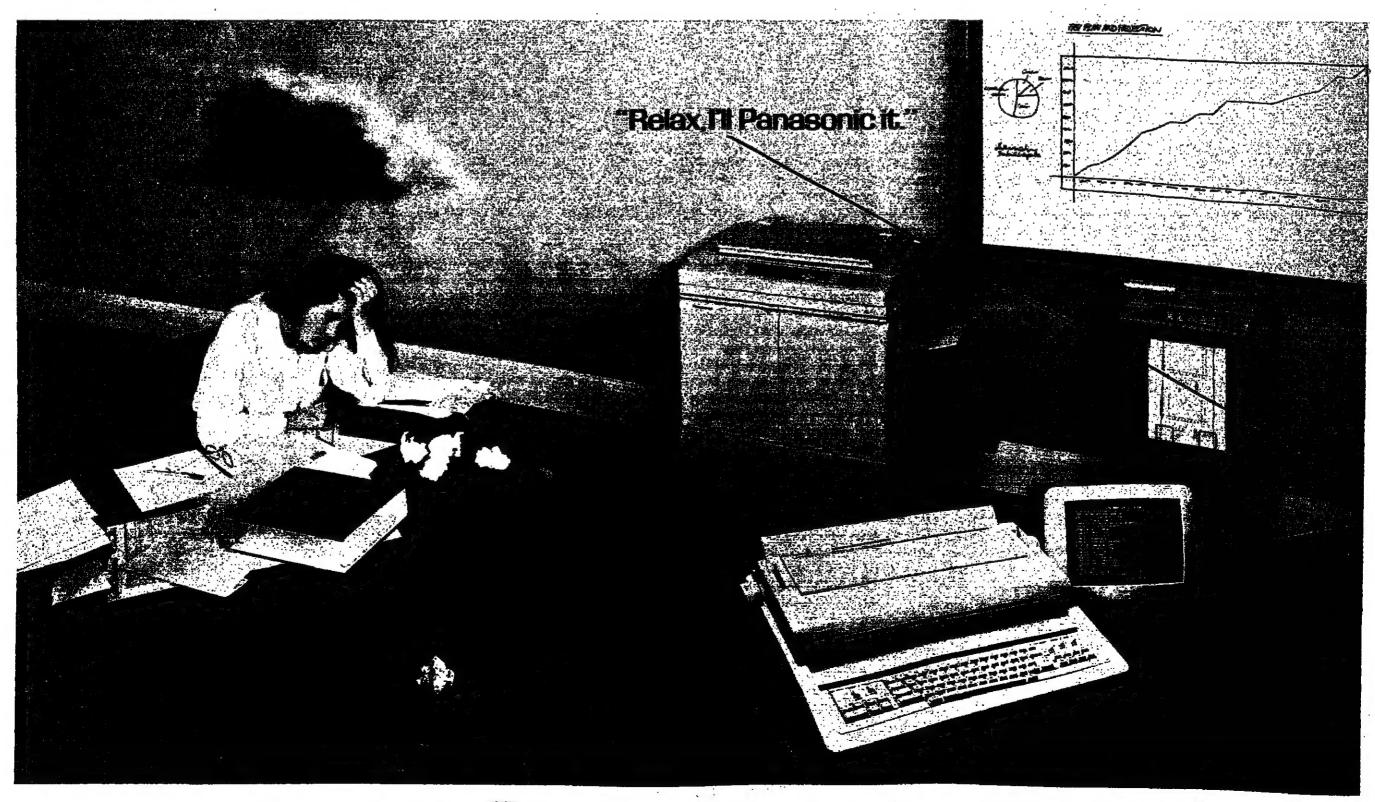
the monopoly.
Securicor, Federal Express
and, in particular, TNT, the
international transportation group in which Mr Rupert major Murdoch, proprietor of News low a International has a 29 per cent price.

stake, have been reported to have been in contact with the

TNT said last night that it could not confirm that it was planning to provide an alternative service to the Post Office and suggested that such rumours were pure speculation. The company had said Mr Alan Jones, the company's UK marketing mananger, was hav-ing monthly meetings with the DTI on the subject.

Pressure groups suggest that the charge for mail between major centres could fall to as low as 10p - half the current

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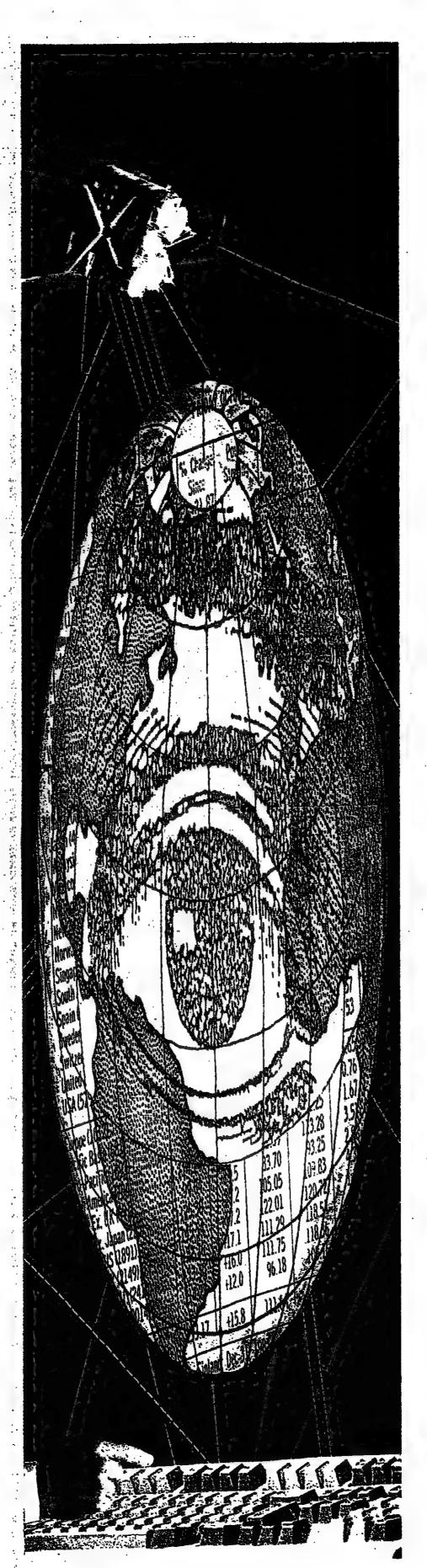
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DAVID BAND,

CHIEF EXECUTIVE,

ON

THE GLOBAL EQUITIES MARKET



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Mitsubishi Bank signs loan for Glasgow project

Plans for the second phase will be completed in the spring.

be completed in the spring.

The financing was arranged by Mitsubishi Bank and underwritten by it and Clydesdale Bank. The first of the three buildings, consisting of 120,000 sq ft, has been let to Yard, the Glasgow-based engineering consultancy which is part of the Anglo-French Sema Group.

Development of the Broomielaw site — nine acres of warehousing and sub-standard housing south of the city centre and north of the Clyde — represents an enlargement

represents an enlargement

of Glasgow's central business district and is one of the larger

inner city revival projects in

The offices will be released

into a market which has

shown steady expansion. Over the last two years Glasgow

office rents for modern space have moved up to £15 a square foot. Demand for space has

been strongest from financial

to the first phase of the scheme, which consists of 276,000 sq ft of offices in three buildings. Construction of this phase has already begun and will be complete by mid-1991.

MITSUBISHI BANK of Japan, heading of a syndicate of international banks, yesterday signed a £70m loan to finance part of a large property devel-opment in Glasgow by a joint venture involving Kumagai Gumi, a leading Japanese con-

struction company.

The £300m project, to build high quality offices in the Broomielaw district of the city, is said to be the biggest property investment made by Japanese companies outside London. The Broomielaw scheme will apportually provide about will eventually provide about Im square feet of office space. Glasgow & Oriental, the developer, is a joint venture between Kumagai Gumi and Bellhouse and Joseph Investments, a privately owned Lon-

don property company. Kumagai Gumi has been the most active of the Japanese construction and property com-panies on the British market and, unlike its compatriots, has been prepared to undertake developments outside London Most Japanese prop-erty investment has been directed at central London

fice buildings. The £70m financing applies

Truck sales for January fall by 29%

By Kevin Done

NEW truck sales in the UK fell 28.9 per cent in January to 4.579 from 6,442 a year ago, according to the Society of Motor Manufacturers and

The UK truck market has gone into steep decline in the last four months. Sales for the whole of 1989 were the highest of the decade at 69,234, but in the final quarter demand was 20.2 per cent lower than a year

UK truck makers have been forced to resort to about time working and lay-offs to bring production into line with

lower demand.

The truck market is the segment that has been hardest hit, as overall demand for commercial vehicles and cars has fallen from last year's record levels. "Real recovery is unlikely to be seen before 1991," suid the SMAT.

Overall sales of new com-mercial vehicles in the UK in January were 13.2 per cent lower than a year ago, with sales of small vans falling by sales of small vans failing by only 4.9 per cent, while demand for medium-sized vans dropped by 15.7 per cent. The biggest fall in January was suffered by the heavy truck sector (over 15 tonnes gross vehicle weight), where sales were 35 per cent lower than a

Britain set for row North Sea pollution

By David Thomas, Resources Editor

heading for a new row with neighbouring European countries over its continuing a solution as soon as possible.

However, the Environment in the North Sea.

The UK is the only signatory of the 1967 second North 3ea. Conference that continues to dump ash, liquid industrial waste chemical waste and sew-age sludge in the sea. Ms Johanna Maij-Weggen,

the Netherlands Water and Transport Minister, yesterday met Mr Chris Patten, Environment Secretary, to discuss Britain's continuing fouling of

the North Sea.

The Dutch Minister is in London to chair a meeting today of the Oslo Commission which implements the North Sea agreement. The meeting is due to consider the UK's appli-cation for three licences to dump another 51,000 tonnes of waste into the North Sea.

Greenpeace, the interna-tional environment group, has submitted a memorandum to today's meeting arguing that the UK arguments for continuing dumping fall short of its international obligations.

Ms Maij-Weggen protested strongly about Britain's dumping of waste into the North

BRITAIN appears: to be Sea, but added that she had formed the positive impression that Mr Patten wanted to find

However, the Environment Department refused to confirm this impression. It said that Mr Patten had done no more than listen to the Dutch Minister without indicating his views. One problem on the British

side appears to be the lack of an agreement between the Environment Department and the Agriculture Ministry, the other Government body involved in a decision to phase out North Sea dumping.
The issue will come to a

head again at the third North sea Conference in The Hague next month, when Britain is certain to be strongly con-demned by the other partici-pating countries unless it has changed its position.

However, the Government may agree with the other North Sea countries on a ban on PCBs (polychlorinated

biphenyls). But the British are likely to argue that PCBs should not be phased out, a more protracted timescale than that favoured by most countries. Britain will also push for PCBs to be destroyed by burning.

Companies and insurers plan with neighbours over central register of stolen art

By Patrick Cockburn

companies are to establish a central computerised register of stolen art and antiques

worth more than £2,500 each. Later this year a central computer will record photographic images together with information about a stolen item. From 1991 specialist staff will advise clients on registra-

tion of lorses. Losses will be registered by insurance companies and uninsured owners for a fee. Auction

FINE ARTS and insurance houses and dealers will pay a charge for each search. Mr Anthony Coleridge, chairman of the liaison committee, said: "This should deter art theft and ensure that the fine art

trade is protected from unwittingly selling stolen items." Creation of the register, to be called the International Art and Antique Loss Register as an aid against crime, was announced yesterday by Lloyd's of London, the insur-ance market, and the Art

Trade Liaison Committee, to which big auction houses and

trade associations belong.

The only parallel to the loss register for stolen art items is the International Foundation for Art Research, a New York based non-profit organisation which over the last 14 years has built up an index of stolen works of art with 32,000 files.

An agreement is being nego-tlated by the new company to take over its US counterpart and computerise its files.

Plastic – the non-stick art form

MINIATURE Victorian Buddhas, 1950s butterfly sun glasses and moulded babies' glasses and mounted transes bath tubs are among the objects on view in an exhibi-tion depicting the 20th centu-ry's use of plastics which

opens in London today.

The exhibition, at the Victoria and Albert Museum, is intended to describe changing uses of plastics in consumer items since the materials entered widespread use in Victories fines. torian times.

From these small beginnings the plastics industry has become one of the largest parts of the world chemicals sector, churning out each year some 90m tonnes of plastics worth

roughly \$100bn.
Miss Penny Sparke, who
organised the exhibition, said a feature of plastics was chang-

ing attitudes over the past 100 years by designers.

Miss Sparke, a lecturer in cultural history at the Royal College of Art, said designers had continually swung history the injections. between using the substances as substitutes for older materials like wood to using them in

modern applications. One of Miss Sparke's favourtte objects in the exhibition is a 1930s stencilling machine, made by the Rutherford Dupli-cator Company of Texas and which she found in a museum

in the Netherlands.

There is also a group of truly revolting 1950s plastic items including a model of superman

and dog.

The exhibition, which lasts until 29th April, is being sponsored by European Vinyls Corporation, a joint venture between Imperial Chemical Industries of Britain and Eni-mont of Italy. EVC is Europe's biggest producer polyvinil-chloride (PVC) — a widely used plastic — but despite this there are few PVC objects on display.

BEST SELLERS! THE WORKS MANAGER was a summer of the second ⁽⁸⁰³⁸⁶⁾ COMPUTING

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PIPER ALPHA INQUIRY

Bureaucracy and unions blamed for safety standards

THE low status of the Department of Energy and "emasculated" offshore trade unions were blamed for poor standards of safety among North Sea of companies at the inquiry into the Piper Alpha

saster yesterday. Mr Colin Campbell, representing the survivors and bereaved families of the July bereaved families of the July 1988 disaster, in which 167 died, said the energy depart-ment had a low status within the "multi-layered bureau-cracy" of North Sea oil safety, and described offshore unions as "emasculated, with no effective representation of their

interests or concerns. Counsel representing the parties at the inquiry, before ord Cullen, are making

final speeches this week.

Mr Campbell said the UK offshore industry had a poor
record on safety compared
with the Norwegian sector of

the North Sea. The North Sea oil companies were among the most resource-ful in the world and their fail-ure to tighten safety was "inex-cusable"

Mr Douglas Russell, representing 25 companies con-tracted to work on the Piper platform, said technical inno-vations had rendered existing North Sea legislation was out "The regulations stifle devel-

opment and inhibit the use of new technology."

Mr Andrew Hardie, for the offshore operators, said safety was the companies' primary

They were determined to improve safety, but they did not consider the way forward to be a requirement for more and more hardware on plat-forms. "Such an approach may well be counter-productive as far as safety is concerned."

Big unions warn of threat to defence jobs

By John Gapper, Labour Editor

SEVERAL hundred thousand jobs are at risk in the defence industry from a reduction in armament sales because of the easing of East-West tensions, leaders of two of the industry's biggest unions predicted yes terday.

Leaders of the TGWU general workers' and MSF general technical unions called for talks with defence employers to ensure rapid diversification of productive capacity into civilian applications.

Mr Bill Morris, TGWU dep-uty general secretary, said Britain had to move resources from defence to civilian indus-tries quickly to avoid putting jobs at risk.

"Make no mistake about it we are talking about a million jobs that are going to be lost,"

Mr Ken Gill, MSF general secretary, said jobs were already being lost in the defence industry before the effect of arms reduction in East and West Europe, together with US defence cuts, had been

They were speaking at the launch in Birmingham of a joint trades union campaign to draw attention to the decline in Britain's manufacturing

The campaign is calling for more investment in research and development, and also in training.
The unions are to hold talks with French unions next

month on ways of forcing changes in industrial patterns. They are also planning talks with British defence employers following further research into the effect of arms cuts.

The two men cited the Challenger tank built by Vickers and British participation in the European Fighter Aircraft project as two examples of defence projects that were now at risk from changes in defence plans.

• Mr Gill ruled out early moves towards a merger between the two unions, which have been developing joint initlatives and recognition claims.

Colour TV makers in £58m trade surplus

By Michael Skapinker

UK-BASED manufacturers of colour televisions achieved a trade surplus of £58m last year, compared with a deficit of £12.3m in 1988. The surplus comes after sev-

eral years of investment in the UK by Japanese and other for-eign-owned consumer electronics manufacturers. There are no British-owned volume manufacturers of colour televi-Mr Oliver Sutton, director of the British Radio and Elec-tronic Equipment Manufacturers Association, said the sur-

plus "lays to rest the British public's widely held miscon-ception that all the televisions bought in this country are imported." The association said that television exports from the UK totalled £301.3m last year,

against imports of £243.3m. A £40.5m deficit in small screen televisions was offset by a £98.5m surplus in large screen The UK had a trade deficit of \$49.3m in video cassette recorders last year but this was down

by almost half on 1988 when the deficit was £95m. In 1987 the deficit in video cassette recorders was £182m. The Government has rejected appeals from Channel
4 to drop the Home Secretary's

veto over future appointments of non-executive directors to the television channel's board. The Broadcasting Bill proposes that the non-executive directors, of what will become a public corporation, will be appointed by the Independent Television Commission, the body that is to replace the Independent Broadcasting

The appointments will be subject to the approval of the Home Secretary. Mr Michael Grade, chief

Authority.

executive of Channel 4, has attacked the proposal as unjus-tified and unnecessary political interference and Sir Richard Attenborough, the film producer and Channel 4 chairman has threatened to resign unless

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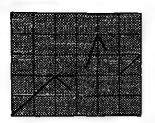
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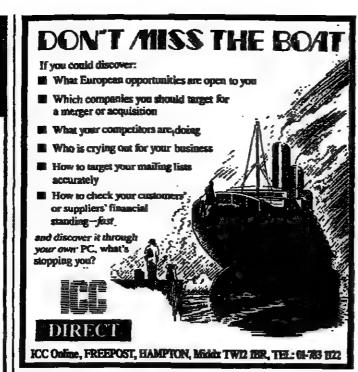
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FT LAW REPORTS

Director must repay Guinness fee

GUINNESS PLC v SAUNDERS AND ANOTHER House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Griffiths and Lord Goff of Chieveley): February 8 1990

A DIRECTOR who accepts remuneration paid by a committee purportedly on his company's behalf but without the necessary board authorisation required under the articles of association, must repay it because, irrespective of any services he may have rendere the company, he cannot profit from his position as a director other than as provided in the

The House of Lords so held when dismissing an appeal by Mr Thomas Joseph Ward, sec-ond defendant to an action by Guinness plc, from a Court of Appeal decision that he must repay Guinness an unauthor-ised payment of £5.2m. The first defendant was Mr Ernest

LORD TEMPLEMAN said that Mr Ward admitted receiving 25.2m of Guinness money when he was a director of Guinness Payment was, said Mr Ward, remuneration authorised by Mr Saunders, Mr Olivier Roux and himself, who formed a committee of the Guinness board of directors.

In the present proceedings Guinness sought an order for immediate repayment on the ground that the Guinness articles of association and the admitted facts, showed the payment was unauthorised and must be repaid.

The Vice-Chancellor made the order sought by Guinness. His decision was affirmed by the Court of Appeal. Mr Ward

On January 19 1989, at a meeting of the Guinness board here were 10 directors present including Mr Saunders, Mr Roux and Mr Ward. The board resolved that an

offer be made for the issu share capital of the Distillers Company plc. It also resolved that three directors be appointed a committee with "full power and authority" to settle the terms of the offer and approve revisions.

Mr Saunders, Mr Roux and

Mr Ward constituted themselves a committee for the purpose of those resolutions and carried them into effect. Guin-ness acquired all the Distillers

advice and services to Guinness it agreed, in the event of the success of the bid, to pay him 2 per cent of the ultimate value of the bid.

The agreement was said to have been entered into by Mr Saunders, Mr Ward and Mr Roux on Guinness's behalf, and by Mr Ward on his own

It was said that the agreement was evidenced by an invoice delivered to Guinness by a company now admitted to be controlled by Mr Ward. The invoice claimed 25.2m for advice in respect of the suc-cessful acquisition of Distillers. The invoice was approved by Mr Ronx and the £5.2m was paid. Mr Ward pleaded that he performed valuable services for Guinness in connection with

Article 90 of the Guinness articles provided that directors' annual remuneration should

Article 92 provided that "The board may, in addition grant special remuneration to any director who serves on any committee . . . or who otherwise performs services . . . outside the scope of the ordinary duties of a direc-

In article 2 "the board" was defined as "the directors of the company for the time being . . . or any committee authorised by the board to act

on its behalf. It was said that the result of applying the article 2 definition to article 91 was that a committee might grant special remu-neration to any director who served on a committee or devoted special attention to the

company's business.
The subject and context of article 91 were inconsistent with "the board," in article 91, meaning anything except the

Article 91 drew a contrast between the board and a com-mittee of the board. The board was expressly authorised to grant special remuneration to "any" director who served on "any" committee. It could not have been intended that any committee should be able to grant special remuneration to any director, whether a membur of the committee or not.
Only the board possessed power to award 252m to Mr.

Article 110 provided that directors might "delegate to any committee ... any of the powers ... vested in the

That did not enable the board to delegate the power of deciding directors' remuneration which, by articles 90 and 91 was vested in the board

Reliance was placed on article 100D which provided that "any director may. act in a professional capacity for the company and he shall be entitled to remuneration for

professional services." Mr Ward sought remuneration for his services as a committee member, not for professional services provided in a professional capacity.

It was submitted that Mr

Saunders possessed implied actual authority or ostensible authority to agree on Guin-ness's behalf that he should be

That allegation was inconsis-tent with the express terms of the January 19 resolution whereby the board conferred power in relation to the bid on the committee, and not on Mr Saunders. There never was any contract by Guinness to pay special remuneration to Mr

Mr Ward submitted that if he was not entitled to remuneration pursuant to the articles, he was entitled to a quantum meruit or equitable allowance for his services, amounting to

The short answer to a quantum meruit claim based on implied contract was that there could be no contract to pay special remuneration for a director's services unless that contract was entered into by the board pursuant to article

The short answer to the claim for equitable allowance was the equitable principle that forbade a trustee to make a profit out of his trust unless the trust instrument (in this case the articles of association)

so provided.

The law could not and equity would not amend the Guinness articles. The court was not entitled to usurp the functions conferred on the board by those articles.

Equity forbade a trustee to make a profit out of his trust. The Guinness articles relaxed the strict rule of equity to the extent of enabling a director to make a profit, provided the board contracted on its behalf for the payment of special

remmeration.

Mr Ward did not obtain a contract from the board

Equity had no power to relax its own strict rule further than and inconsistently with the express relaxation contained in the articles of association.

No one was obliged to accept appointment as a director. No director could be obliged to serve on a committee. A director who contemplated or accepted service on a committee or performed outstanding services might apply to the board for a contract for special

At the January 19 board meeting Mr Ward was present but did not seek then or thereafter to obtain authority for payment of special remunera-tion. In those circumstances there were no grounds for equity to relax its rules further than the articles provided.

Similarly the law would not imply a contract between Guin-ness and Mr Ward for remuneration on a quantum meruit basis when the articles of association stipulated that special remuneration for a director could only be awarded by the

Section 317 of the Companies Act 1985 provided that it was the duty of a director interested in a contract "to declare the nature of his interest at a meeting of the directors."

The section did not apply directly because there was no contract. But it showed the importance which the legislature attached to the principle that a company should be pro-tected against a director who had a conflict of interest.

The fundamental objection to Mr Ward's claim was that by the agreement with the committee he voluntarily involved himself in an irreconcilable conflict between his duty as a director and his personal interests. Both before and after January 19 1986 he owed a duty to tender Guinness impartial advice untainted by any possibility of personal gain.

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Guinness's claim for repay ment was unanswerable. If Mr Ward acted honestly and reasonably and ought fairly to be excused for receiving £5.2m without the board's authority. he could not be excused from paying it back.

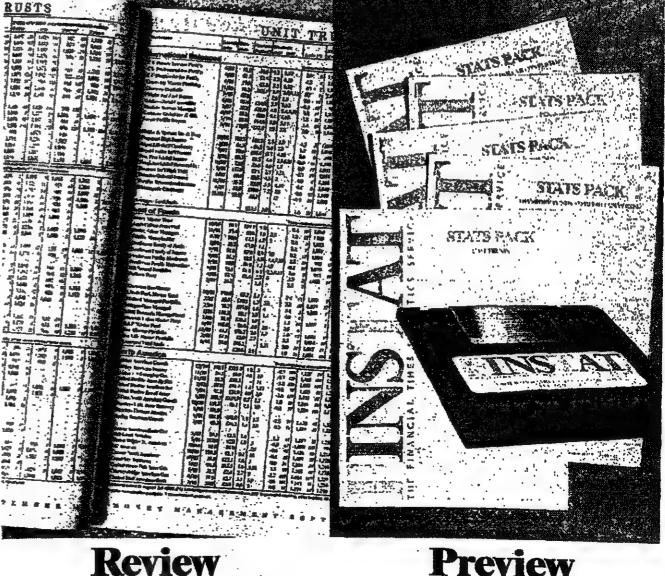
The appeal was dismissed.

For Mr Word Peter Curry QC an Jonathan Crow (Calow Eas-For Guinness: David Oliver QC and Phillip Sales (Herbert

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TECHNOLOGY

Taking the ink out of used paper is crucial to the recycling process. Peter Knight reports on different approaches to the cleansing job

I'm going to wash that ink right out of my hair



Hylte Bruks newsprint mill in south-west Sweden is a collection of old hievcles, car batteries, wristwatches, toys and a mortar bomb. These are just some of the objects that people have dumped with their old newspapers and magazines.

Nearly half of the paper and board produced in the EC (excluding Scandinavia) is made from used paper. In 1998, 16.8m tonnes of paper was recycled, according to the European Confederation of Pulp Paper and Board Indus-tries. In the UK, the Depart-ment of the Environment estimates that about 5m tonnes of paper a year could be recycled, but only haif of that is. The current emphasis on

environmental issues has brought a greater demand for high-quality recycled paper.
Besides unwanted detrims, such as hikes and bombs, the paper-maker's main problem is to get rid of ink and other impurities such as "stickies"

(glue) in waste paper.

There are two main de-inkinc processes withing and fitation. The simple washing
method is used extensively in
the US and Canada, where it is also called rinsing.

Waste paper is mixed with water to make a pulp. Surfac-

washing-up liquid) are some-times added and the pulp is agitated. This dislodges a lot of the ink, which is mainly composed of carbon and oil, and it

Washing is usually employed to de-ink high-grade waste paper. The end product makes good quality writing paper or tissue. But there are two main drawbacks. First, up to 30 per cent of the pulp is lost; and second, washing produces a lot of effluent which is expensive

The flotation system uses is, therefore, costlier to set up. But it is considered more efficient because less pulp is lost and less effluent created. As in the washing method,

to treat.

the waste paper is mixed with water to make a thick sompike mixture. Soap is added and the pulp is pumped into a series of tanks where air is blown in from underneath Aeration encourages the ink, which has been dislodged by the soap, to stick to the air bubbles and "float" to the sur-

face. This sticking process is aided by the presence of soap. The scum is skimmed off and the pulp pumped to another tank where the process is

pulp can be recovered if the flotation process works well.

soap and ink scum. Flotation produces less effuent than the washing method. And the waste can be treated more cheaply before it is incin-erated or dumped.

De-inked pulp is often bright-ened by bleaching. Chlorine, once favoured by the paper industry, is no longer popular because it has been discovered that the process forms danger ous dioxins. Hydrogen peroxide and other oxidising agents are

The chemistry of de-inking is similar to the process that takes place in the kitchen sink. Here a scum of calcium soapsalts is formed in hard water. In the flotation tanks the soap creates a series of love-hate relationships.

The salts stick to print particles and make them bigger and more hydrophobic or waterticles stick to the air bubbles and float to the top. Mean-while, the paper fibres retain their love of water and remain. But, as with any chemical process, there are a number of variables which can help or hinder de-inking when using soep. For example, the amount of calcium (hardness) in the

ness of soap because the formation of scum is an essential part of the process. Mills in soft water areas have to add calcium, which can lead to bigger pulp losses and unwanted deposits on machinery.

Some chemical companies were quick to see a commercial opportunity for a product that could replace soap and improve the efficiency of the flotation process. Albright and Wilson (A&W), a British-based subsidiary of Tenneco of the US, took four years to produce its range of de-inking chemi-cals, called Albright 8000.

The ingredients of 8000 are secret, but it is described as semi-synthetic because a high proportion of the chemical is. like soap, composed of fatty acids. The other compounds are designed to make 8000 easy to handle and to improve flota-

With increased demand for recycled paper and the subsequent increase in price of high-quality waste (such as office and computer paper), as much pulp as possible dur-ing de-inking.

This means both chemical and mechanical elements of the flotation process have to work as efficiently as possible. Soap can cause problems with machinery because its solucooled. This can block drains or cause expensive stoppages while machines are cleaned.

A&W claims that its chemicals do not have the handling problems associated with soap and so reduce, in factory parl-ance, the buggeration factor. A&W also says 8000 can reclaim more pulp and makes

it brighter than soap.

These claims, and those of A&W's competitors, are not strong enough to convince the vast majority of de-inking plants throughout the world, which continue to use soap.

But the Hylte Bruks mill in Sweden, which produces about 1,000 tonnes of de-inked pulp a day, has accepted A&W's assertions. The soft water available to the mill worked in the chamical's favour.
"When traditional fatty acid

soaps are used, calcium ions are needed to make the process work," says Bob Turvey of A&W. "Our new emulsions do not depend on calcium ions for their de-inking effect.

"We found that water hardness affects the amount of films lost during flotation. Without the calcium, the mill's losses of fibre can be reduced by up to three per cent."

Recycling paper, including the de-inking process, uses between a tenth and half of the

paper-type) used to make vir-

gin paper from trees. But some of the chemicals used to get rid of the ink have been criticised. For example, some surfactants used in wash ing may upset aquatic life. "These surfactants might have been used in some early flotation formulations, but they are not now. All chemicals we have used have been regarded

as safe," says Turvey. But mill owners remain wary of introducing unknown chemicals. Shotton Paper Mill, in north Wales, produces 430,000 tonnes of recycled pulp a year. This is added to newsprint to improve the product.

Shotton uses soap.
"It's difficult to know what is in the chemicals and we turers for the contents. Soap is tried and tested. It's quite a clean product to work with, says Terry Parry, technical sales manager at Shotton. Turvey says A&W's 8000 range is safe: "Some of our

chemicals are of cosmetic grade and our formulations are no more toxic than soap." In the fight to oust soap from the de-inker's shopping list, chemical makers face a tough battle to assure prospective customers that their concoctions are whiter than white.

Making for the gaps left by the big drugs companies

N A WORLD of giants, how do the midgets survive? The ques-tion is particularly appropriate in the \$130bn-a-year pharmaceuticals industry, which in the peat year has been shaken by a series of mergers, leading to a much greater concentration of resources at the top end of the business.

In this forcet of large grouns the

In this forest of large groups, the smaller entities have to learn to survive by spotting gaps in the market left by the big fry. They also have to perform what amounts to a mental juggling act.

That entails forming alliances with the larger groups in which technologies and research methods are swapped. The transfer of ideas can lead to the smaller businesses gaining expertise in areas, such as marketing, which they do not have themselves. They can also carn a living by selling research to the heavyweights.

One company which illustrates

small Danish drugs company which is part of Alfred Benzon, a health-care and consumer goods group. Benzon Pharma's sales in 1983 of DKr 146m (213m) are tiny compared with the multi-hillion-dollar transfers of the UK. turnovers of, say Glaro, of the UK, and the Anglo-American Smith-

Benzon has just 150 employees, 100 of them at head office in Copenhagen and another 40 (mainly sales people) scattered around the Nordic countries. It also has two small offices at Philadelphia, in the US, and Reading, in Britain. These act mainly as "listening posts" and as a link with the rest of the drugs

industry.

Helle Bechgaard, Benzon's president, says that in some ways smallness is a virtue. "We have very short decision routes," says Bechgaard, one of the few women in a sentor position in the world medicines industry. "We can do things much more quickly than the aver-

age-sized company."

Most pharmaceuticals companies research, development and market-ing. Benzon deliberately misses out the second leg of the triad.

Development is where drugs com-penies expend vast effort in guid-ing their products through clinical trials involving thousands of patients. It can cost shout \$70m just to bring one product through the trials and on to the market. Benzon reasons that it is better to leave development to the big battal-

Instead the Danish company con-centrates on several specific areas of activity within the other two egs of research and marketing. The research element — on which Benzon spends about £2m a year — is especially important. year — is especially important.
This involves work on new scientific areas which are applicable to many kinds of drug. All its projects

possibility of linking them to the programmes of other, usually much larger, pharmaceutical companies. Benzon gains roughly half its turnover through sales of research expertise to the larger groups. The other half comes from sales of pharmaceuticals which are off-pa-tent. As their effectiveness has been established by the medicines' originators. Benzon does not have

to do any clinical trials. The work involving links with other groups in research and mar-keting can be split into three paris: In the research field, Benzon has built up expertise in hiotechnology through work in manipulating fragments of genetic material to find new processes for drug produc-tion. It has a number of patents in several biotechnological areas. One of these involves an enzyme which it has developed to saip out particular segments of genetic material in human or animal cells. The enzyme can be used to purify genetically engineered chemicals.

The Danish company has a number of agreements with other drags groups which pay to have access to its ideas in biotech. It has such accords with Schering-Plough, of the US, and Celltech, of the UK, for

 Another of Benzon's targets is controlled-release techniques, which channel existing formulations into the body in an optimum way. The drugs industry is showing considerable interest in such ideas and several other small companies. including Napp Laboratories and Alza, both of the US, are working

in this area.

The research is centred on techniques such as applying a thin film to a chemical, in pill form, which is known to have a therapeutic effect. The film either slows down or ds up the pill's secretion into

Such ideas can be used to improve the effectiveness of existing drugs, or reduce side effects. Benzon has a licensing agreement with Ciba-Geigy, the big Swiss

medicines company.

The third area of activity involves marketing. Benzon is active in the sale of finished pharmaceuticals in Deumark and other Nordic countries. This mainly entails taking the off-patent medi-cations developed by other compa-nies. It then attempts to improve on the products' effectiveness by using its own branded controlled-release techniques.

For example, it markets Uniloc, a heart drug based on atmolol, an off-patent chemical developed by imperial Chemical Industries, of Britain. The chemical is produced by Benson inside a specific form of drug packaging so that it infiltrates the body in a set way once swallowed, making the compound easier to administer.

Bechgaard says that up to now Benzon has been happy to have a



number of different alliances with individual companies in the drugs field. For the future, "our strategy is to look for a large internation partner; but so far we have not found the ideal marriage."

Peter Marsh

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

MANAGEMENT

Is it a myth or a real Superman?

Lisa Wood searches for the composition of the likely Euro-manager

that the muchvaunted Euro-manager needs to be able to cope with a lifestyle that involves working in Madrid today, Paris tomorrow, and Bonn the day after, is barking up the wrong tree, says Paul

As professor of Organisa-tional Behaviour at INSEAD, the European business school at Fontainebleau, near Paris, Evans has more experience than most in the breeding of international managers. Since creating INSEAD's executive seminar on "management of people" in 1977, he has had constant contact with top management in a string of

European multinationals.

Jet-setting between international operations, says Evans, is more likely to create the business equivalent of the over—packaged tourist. "All that type of experience does is reinforce the individual manager's stereotypes of the people he or she is meeting, or meant to be managing," says Evans. So what is the recipe for creating the Euro-executive? He or she may not be mythical, as critics have claimed, but this superior creature is definitely a rare breed, according to Saxton Bampfylde, the headhunting firm.

in a recent report, the firm defined the species as people who could operate with equal confidence wherever they were in Europe. Evans' definition takes that concept further. He helieves the man or woman capable of being a Euro-execu-tive — whom, he argues, is a sub-species of the interna-tional manager — is one com-

channelling diversity.

"When people work across frontiers they begin to recognise that certain things are no longer accepted wisdom," says Evans, "There are profound differences between European countries, not just in markets and competences, but in basic concepts of management and

He cites a study by Professor André Laurent of INSEAD who asked managers from multinational companies working in several countries whether it was important for a manager to have at hand more or less precise answers to most of the questions that his or her subordinates might raise about

stark differences in attitudes. These responses, says Evans, are based on the very different management styles of the respondents. On the one hand the American exceptive is not expected to be an expert in all the fields he or she manages. So when he or she is asked a question from a subordinate, the query can be passed on to somebody who can answer it. In West Germany the man-ager is expected to be the expert, so he will be expected to answer the question, while in Latin countries the man-

ager will expect to answer the

question because he is the

boss. At the very extreme of

this spectrum, the Japanese

their work. The results showed

employer will know that his employees will not ask him a question unless they are confident that he will know the

Neither one of these management styles, says Evans, equips a person to be a better international manager. What does is the ability to understand and appreciate the difference. He gives the theoreti-cal example of a British nager, the proverbial generalist, going to work in West Germany where people follow more expertise-based and func-tional career paths than in the

Evans, would be for the Brit-ish manager to feel hemmed-in and to condemn the Germans and to condemn the Germans as narrow. A positive response would be to appreciate their tremendous in-depth expertise. Hands-on responsibility, says Evans, forces the manager to get results from people who are very different from themselves. Managers, he

people when they understand their perspectives. So managers sent on international assignments have to spend time building relationships and understanding those perspectives.

So, are these super-executives born or are they corporate creations? And are they more likely to come from certain countries than others? (Saxton Bampfylde claims that the Netherlands, Belgium and Scandinavia are the best seed

"It is not a question of a national genetic profile," Evans says. "Good international managers are created by diversified experience." Companies in certain coun-

tries have been at the fore-front of the trend towards building international managers, says Evans. His list singles out Sweden, the Netherlands and Switzerland. Not only do they have small domestic markets and hence have long sought sales overseas - thereby sending man-

ALL CHES, A COMMON COMPLAINT AMONG EURO-MANAGERS - FLIGHT DEPARTURE LOUNGE NECK او = ،



agers abroad - but, paradoxi-cally, they also have small stic labour pools and so have had to import managers

SKF, the Swedish ball-bearing company and Philips, the Dutch electronics group, both employ large numbers of for-eigners at their headquarters, effect of giving other nationalities greater influence and more attractive career paths than before.

The challenge, says Evans, who made a considerable impression among managers when he spoke on the subject at a Financial Times seminar last month on "Creating a Euro-Workforce," is to build the appropriate cohesion among diverse cultures and so

create executives capable of managing internationally. "It is not a question of making managers European - as if we could make some composite person. That would be the quickest way of making an individual into a schizo-

phrenic," be says. Indeed, Evans argues, understanding other peoples' cultures does not mean that the individual loses his or her individuality. Rather, as Evans' own experience in workshops reveals, people of many nationalities working together become starkly aware of their differences. He points "the classic metaphor that the fish is not aware that it is swimming in water until it is fished out of it."

Evans has a simple model for the international company striving to build cohesion among a diverse workforce. Face-to-face contact between the different nationalities is a first step, followed by problem-solving via project groups and ad hoc task-forces.

Management training of the individual is then followed by posting him or her oversees.

Mobility of staff is probably the most powerful tool to build the effective international organisation," says Evans.

toric earnings - and has tried

I Mrs Margaret Thatcher were ever to scour the financial pages in search of a company that best encapsulated her philosophy then her eyes might linger longingly over the record of British Vita.

For during the Prime Minister's years in power, this Manchester-based polymer, fibre and foam company has transformed itself from a small, rather erratic business making sales of £89m in 1980 into a widely-admired international company which, in its last full financial year in 1988, turned in sales of £453m. With substantial interests on the European continent and a recently-acquired investment in the US, Vita seems vibrant and well

placed for further growth. The company was founded in 1949 by Norman Grimshaw, who was by all accounts a flamboyant and energetic char-acter, more given to building new plants in Africa than pleasing pinstripe-suited analysts in the City. Portraits and busts of him adorn the offices of Vita's headquarters in Middleton, on the outskirts of Manchester, Bob McGee, Vita's chairman and chief executive, still affectionately refers to him as the "old fells." According to McGee. Grim-

was immense fun to work for but after his death in 1978 it was in danger of losing direc-tion or control. "The old man left us a wonderful legacy of assets. It was a question of assets, it was a question or sorting out the organisa-tion... We had a great busi-ness but we were not making any money," McGee says. The chirpy plain-talking McGee says that after years of somewhat haphazard expan-

somewhat haphazard expansion the company came to the realisation that it would have to take its responsibi-lities as a public company seriously and develop a more systematic approach to its businesses. "Our whole philosophy was then to get up and get going," he says.

agement style, wrapped up not in fashionable business school jargon but in plain Lancastrian common sense. The company sthos owes much to those Victorian entrepreneurial values of aggressive ambition, bold of aggressive amortion, both strategy, and sheer hard work that the Manchester region has traditionally been famed for and which Mrs Thatcher professes so much to admire. In particular, three aspects characterise British Vita's

shaw created a business that

In common with Mrs Thatcher, McGee believes that people work harder for enterprises in which they have a financial interest. He has therefore tried to develop what he calls the "proprietorship syndrome mong the employees. All workers are encourage to take shares in Vita but the the share incentive scheme is particularly significant for the group's senior managers who

run the individual business units. Those managers who have worked for Vita for about The present day company has evolved a distinctive man-10 years can expect to build up about £250,000 to £500,000 worth of shares by the time they retire.
McGee claims the amassing of such capital helps the com-pany retain talented staff and stimulates the executives efforts. He says: "Our manag-

> bados. But the emphasis on ownership goes beyond just share distribution. For the most part, the too managers are encour-

ers are well paid, work dawn hard and go on holiday in Bar-

aged to run their businesses as though they were running their own individual private companies. They are able to

John Thornhill assesses the Victorian values of British Vita

aim out of my gunsight then some bugger is going to have me," he says. Some of Vita's City followers determine their own strategy, including deciding on acquisitions. Two weeks ago, for example, Libeltex, a Belgian have suggested that this highly decentralised approach with the firm central emphasis on

financial performance gives Vita's management style is wrapped up not in fashionable business school jargon but in plain Lancastrian common sense

Thatcherite model under test

and bought one of the manu-facturing divisions of Brink-haus, the West German consumer products company, expanding its presence in the pre-formed fibre cushion mar-ket. McGee wants his managers to be ever conscious of the importance of financial perfor-mance and to be wise in the ways of the City. He realises that delivering the financial goods is crucial for a public company. "If I ever take that

subsidiary of Vita, identified. Vita the appearance of a con-But McGee claims this is misleading. All Vita's businesses, he argues, are centred around polymer technology with real benefits to be gained from shared expertise and greater buying power. The company's directors also have

a strong background in the field and are able to under-

stand the company's technology as well as its finances.

• The strategy of the company. McGee believes a particular strength of Vita is the way it has positioned itself in the marketplace.

Vita suggests that the poly-mer market can be schemati-cally divided into three concentric circles. At the centre are the international chemical suppliers which manufacture the raw materials. Vita positions itself in the second ring, taking the materials from the chemical companies and applying their technologies to a wide variety of industries repre-sented in the third ring. Crudely put, the chemical com-panies do the research, and USE'S 120 business units do the Vita's 130 business units do the

development and marketing. The market opportunities are considerable and varied, for in the "magical world of polymers" every modern bouse potentially contains a welter of products from foam for furni-ture and carpet underlay to nozzles for aerosols and materials for dance leotards.

Vita's positioning therefore gives it great flexibility, allow-ing it quickly to expand in

growing markets and to with-draw from contracting ones.

The group's method of expansion. In 1975 three quar-ters of Vita's profits came from Africa but during his time as chief executive, McGee has redressed this geographical imbalance and Vita has concentrated on expanding in Europe. It now has operations in Belgium, West Germany, Spain, Italy, the Netherlands and France, accounting for

span, Italy, the Netherlands and France, accounting for more than 60 per cent of the company's business.

Rod Sellers, the finance director, says Vita first got to know the continental European market after making two small acquisitions in the Netherlands and Belgium in the 1970s. From the mid-1980s Vita has made a big European acquisition just about every year. Some of the companies have been brought to Vita's attention by corporate "marriage brokers" but Sellers says the most successful acquisitions were those that Vita mercial links. "If there is a meeting of minds everything can be sorted out a lot more quickly and easily," he says. "Typically, Vita has bought

under-performing companies — usually with a purchase price of less than 10 times their his-

to reinvigorate them. The acquired companies have often been subsidiaries of big conglomerates or single country companies that have been stunted by management or market considerations.

Vita concentrated on the continental European market instead of the US, which then was more fashionable among British companies, because of what it perceived were more attractive opportunities there. McGee says: "American bustnesses are like ski-suits in C&A in April: everyone has tried them on."

The cynic may well argue that British Vita has had it easy in a decade of loose labour markets, relatively weak competition, and a thriving UK economy and that the crunch will now come in a harsher trading environment.
And indeed the company's
management itself concedes as
much. But it remains confident that the basic business principles that apply to a small Lancastrian company are equally valid for a larger Europe-wide business. Whether companies such as Vita can continue to perform successfully will say much about the permanence, or otherwise, of the Thatcher-its "economic miracle."

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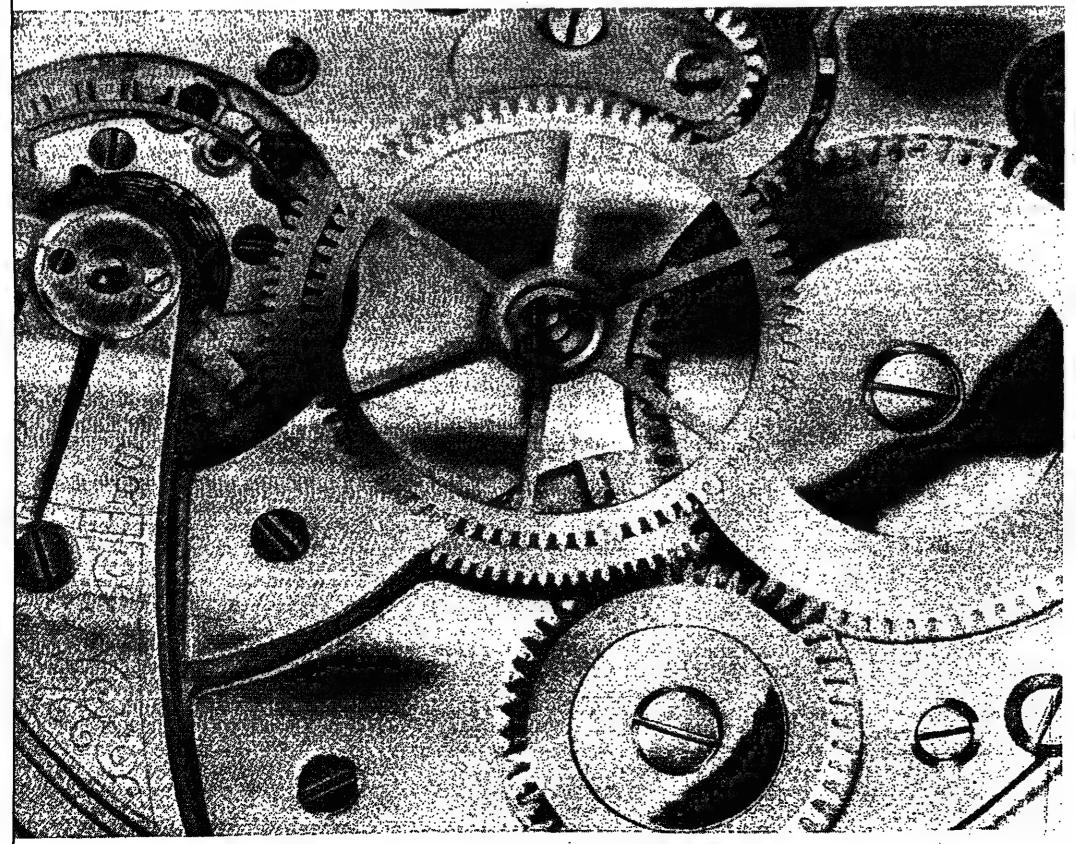
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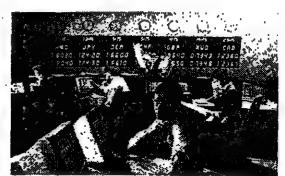
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Don Pasquale

This is a Donizetti revival of choice quality. On those occasions, rather too frequent, when Don Pasquals is. rompishly presented, or treated as no more than a vehicle for sight-gags and costume-and-prop-tricks (as and. happened n the recent Opera North production), the lover of this work experiences a certain difficulty in pressing its claims to be ranked among the masterpieces of theatrical

Little of any such difficulty was experienced on Monday: familiar passing irritations provoked by the facetiousness of Jean-Pierre Ponnelle's 1978 staging (now in the hands of his former assistant, Grischa Assgaroff) were always soothed, and for the most part even benished, by the polished stame address and musical fine grooming of the leading players. In this pecriess opera buffa, a rare, seldom equalled example of the Italian genius for fusing comic situation and vocal lyricism, style is of the vocal tyricism, siye is to the easence. The current principal quartet — Kathleen Battle (Norina), Thomas Allen (Malatesta), Paolo Montarsolo (Pasquale), and Raul Giménez (Ernesto) - are blessed with an accurate sense of style, and so the performance is tuned and pitched with chamber-music descerity.

There is no heavy mugging, no complications of heavy mugging, no complications of heavier of the audience semaphoring to the audience (apart from the regrettable encore pasted onto the Pasquale-Malatesta duet, a fmailiar lapse). Miss Battle and Mr Allen play with and off each other with the assurance that character observation and vocal distinction count for more, in total, than easy, vote-winning tricks. The soprano's deliciously pearly

tones and immaculate phrasing sometimes risk mannerism; not here. Mr Allen (who has exchanged the production's formerly garish check trousers for something more dapper) is now an absolute master of operatic comedy. A sudden abouting-forward of a frilly cuff speaks volumes, but never too much; the voice, a touch dry at the start, is used with marvellously understated

Montarsolo's treasurably Montarsolo's treasurably lialianate Pasquale is rich in those classic sighs, enorts, and body-language of native tradition, yet quite devoid of gross farce. Selfishness and vanity are not hammed, nor are poignancy and pathos (it was the fault of the conductor, Bruno Campanella. Who Bruno Campanelia, who slowed the pace down, briefly moment of face clapping, that a note of sentimentality was hare allowed to intrude; this is a thoroughly rounded portrait, sung with skill and warmth.

Gimenez, the young Argentinian tenor already prized by Wexford visitors. combines a dusky Latin timbre, welled with a hint of melancholy, and a winningly gentle, poetic command of phrase; he looks good on stage, and is altogether welcome on this one. The conductor, another house debutant, tricked out the overture with fancy (because self-conscious) rubato rather too often repeated thereafter; but at least he responds with imagination and obvious commitment to a score which rewards such virtues handsomely but which is nevertheless all too often fobbed off with routing.

Fun is hard graft

It is difficult to avoid the feeling that television comedy is floundering because nobody is trying hard enough. That something is wrong seems pretty clear. Admittedly comedy is one of those areas where critical acclaim and public popularity are sometimes poles apart: a series such as On The Buses can win huge ratings for years without receiving a kind word from a single serious commentator. On the other hand you may fail to set the BARB lists alight and yet win plaudits all round from the professional critics, as Brass did for instance. But comedy at present - British comedy, anyway - seems to be achieving little in either

respect.
Personal experience suggests that comedy comes high on the that comedy comes high on the list of many viewers' preferences. What do you like to watch after a hard day at work and a frustrating journey home? "Oh, a film, perhaps the news, something that'll make me laugh." You can attract big audiences with a good comedy, yet there are precious few in the current Top 20.

If you accept the modern

If you accept the modern BARB system of aggregating audiences for programmes which are repeated in the same week, then the highest rated consider in the current list are BBC1's May To December at No. 19, and ITV's Watching at No. 21. (The first is a spring-and-autumn romance spring-and-autumn romance starring Anton Rodgers and Eve Matheson, and the second features a bird-watching wimp and his termagant fiances played by Paul Bown and Emma Wray.) Leave out the repeat figures and these two series move into positions 9 and 10 in the Top 20 list, but no other comedies appear.
Of course we did recently have another run of Biackadder, but, now that it is finished, dinner party

conversations suggest that an awful lot of those viewers categorised A and B by marketing men express a preference for American the talent of John Cleese (and comedy series: not just the old ones such as Bilko or M.A.S.H. but current ones such as Cheers and The Golden

Over the years the idea has got about that in television comedy - as once upon a time in sport and business - the British rely on gifted amateurism and leave sweaty professionalism to the Americans. For some reason, the British have always valued success which comes from success which comes from effortless inlent above micess from hard graft, and it is as true of making sitcoms in 1990 as it was of empire building in 1890 or industrialisation in

As with most ideas of this sort, there is some truth in it. Though the source of talent in television has not usually been the languidly superior ex public schoolboy who featured so frequently in the sporting or military triumphs of previous eras, it was still the individual flair of Johnny Speight, Warren Mitchell and Dandy Nichols which made Till Death Us Do Part rather than the rigours of an American sitcom production line. And it was the talent of Dick Clement, Ian la Frenais and Ronnie Barker which brought success to Porridge, not the methodical disciplines of the American

But that is hardly a good reason for spurning the American approach and sitting around waiting for talent to strike like lightning out of the blue. The funniest British sitcom of the last 20 years was Faulty Towers, a series which has grown steadily in my has grown steadily in my estimation as the years have passed. Repeat viewings have proved that the best of the 13 episodes are constructed with

None of these is a complete None of these is a complete turkey, but they are all more or less flabby. No Job For A Lady is an attempt at another vehicle for Penelope Keith. This time she is cast against type as a backbench Labour MP, but not a Champagne socialist who believes it is everybody's right to eat at the Companyity and have been a good PK joke. Instead we get all the predictable stuff about women in a man's world, starting with In the first two episodes of

his co-writer and then wife Connie Booth). It is said that each episode took about four months to write and ran to a dozen drafts. What you seem to have here is a driven man with a powerful conscience who imposed upon himself the same sort of disciplines which American writers have imposed upon them from

If it comes neither from within nor without — if nobody is saying "Go back and write it again, tighten it up, put in more jokes, hit me with something original" — then with the trees are transcriptly in the same trees. what you get, presumably, is the sort of series brought to us by British television this season: No Job For A Lady, The Comic Strip Presents, You Rang M'Lard, and Haggard, for

to eat at the Connaught and drive a Bentley, which might her walking into the men's lavatory. Told that a constituent wants to know what her MP is going to do about her haemorrhoids, La Keith replies "I hope you didn't tell her to bring them over and I'll look into them." The Comic Strip Presents the "alternative" crowd (Adrian Edmondson, Nigel Planer, Robbie Coltrane, Dawn French, Janet Saunders etc) offered an

Dawn French and Robbie Coltrane in 'The Comic Strip Presents'

outrageous story about robbing a bank to finance an invasion of the Falklands so that a

lovelorn radio ham could rescue his beloved from General Galtieri. There were funny moments (Edmondson inadvertently releasing all the oxygen masks on the hijacked airliner) but also dialogue such as "Tli have a Bloody Mary,"
"Well we've only got bloody
lager," To write a line as lazy lager." To write a line as lazy as that is bad enough, but failing to cut it before transmission is appalling.
You Rang M'Lord is the latest series from Jimmy Perry and David Croft who, separately or together, have been responsible for Dad's Army, It Ain't Half Hot Mum, Hi-De-Hi' and 'Allo Allo Croft

Hi-De-Hi! and 'Allo 'Allo. Croft co-wrote Are You Being Served, a questioning title remarkably like their latest, and the atmosphere in all these series is similar. Dornford Yates would feel at home in this world where class is the dominating factor and fondness is (no doubt rightly) the expected response from the the expected response from the

audience, in *Haggard* Keith Barron plays the impecunious squire

familiar from a hundred pantomines, and Sam Kelly is his much cleverer servant, to home - the British home than many British series. No doubt we see only the best of what is made in the US, Grunge, better know as Buttons. No doubt children

the tip of the iceberg, and should remember the vast invisible and doubtless ghastly and their grandparents having tea together on Saturday evenings turn to this as to Cinderella with the expectation of total familiarity. They will not be disappointed. There us nothing wrong with mass beneath. No doubt some would say that modern British life to reflected in such British series as The Two Of Us, or Bread. Yet I see very little in these which resembles or the fond, the familiar, the nostalgic, the predictable, the undemanding . . . in reasonable quantities. But if you leave things to chance, and simply hone that a new comments upon the lives led by the people around me. and simply hope that a new Galton and Simpson partnership will one day walk through the door carrying a

Much of The Golden Girls in sheer wise-cracking nonsense, but the series does also have significant things to say about being single and getting old. Cheers is currently dealing with a heterosexual relationship (between Rebecca and Sam) with an honesty and explicitness which would be unthinkable in Only Fools And Horses. It should not be unthinkable. British sitcoms need to progress beyond pantomime and start discovering contemporary reality.

are qualities within these series which bring them nearer Christopher Dunkley

The Rape of Lucretia

Ceri Sherlock has staged Britism's opera quite tidily for the RCM, with sponsorship by the John S. Cohen Foundation. The male and female Chorus
wear suits throughout;
everybody begins in modern
mufti, and the lesser
characters double as
scene-shifters, which means
moving statues, a Marian
finite and some lamphes about in scenes where they don't

keeps his black shoes on below his toga, whereas Tarquin is bare-footed and chested and sports a tremendous unruly mane. This makes everything very easy to The other characters run

vigorously about with Lucretia's bed, suggesting that the rape may turn into a gang-bang, and the heroine's felode-se in a fitted white sing.

The Roman generals bleeding tummy infallibly (not to say Anglican) voices.

eventually slip into something vaguely Roman (toga-strips, which kept alipping off): poor cuckolded conducted by Michael Rosewell like Jill-Maria Marsden's soprano Chorus. The shortie-nightdress with bleeding tummy infallibly recalls the alarming Carrie. But generally the tone remains

well-defined account of the score. One had expected to hear more of Ronald Duncan's text than we did in the little Britten Opera Theatre, but Rosewell should not be blamed for that — some would rather

There was mature, thoughtful delivery from the tenor Paul McCann as male Chorus and the base-baritone Graham Case as Lucretia's

Lucretia of Hilary Brooks, vividly acted, and Howard Croft's Junius both had excellent moments, though they under-projected in piano and in their lower registers. The maids were the sourano Rosemary Joshua and the contraito Frances Jellard, a bright, forward pair who have the confident ring of young probesionals.

The opera can be heard with the same cast on Friday, with a partly different one tonight and Monday.

David Murray

Lynton Atkinson

At recital appearances by young singers it is invariably best to reserve judgement until after the interval and for Lynton Atkinson, the winner of the 1988 Richard Tauber Prize, who was giving his prize-winning recital at the Wigmore Hall on Monday, this was certainly the case. The trouble was that the ainger's delivery of Schumann's Liederkreis Op. 39

Max Loppert | Making no attempt to guide his

ARTS GUIDE

Anything Goes (Prince Edward).
Cole Porter's silly ocean-going
1930s musical has four or five
marvellous songs and Elaine
Paige failing to emulate Ethel
Merman. Jerry Zak's desperately
bright production comes from
the Lincoln Center in New York
and is undermanding fore (T34
9851 or \$36,2426).

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8951, cc 836 2428).

Jeffrey Bernard is Unwell

are electrifying in support

young soloist helpfully forwards the result was a performance that had almost no sense of direction. The music was simply left to trudge along with monotonous regularity from note to note and phrase to phrase. This was a shame, as Lynton Atkinson is not without some attractive features in vocal

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaf-fer-style "spectacle of ideas" dressed up in John Dexter's smert production as a metanhor

superb production as a metaphoi of homosexual life. The transves

tite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this

inert depiction of lives that criss-cross in an elegant, but somewhat random setting

veeney Todd (Circle in the

Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate

original a decade ago emphasises the descent into madness of Bob

Gunton as the demon harber of Fleet Street (139 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transitiantic hit of this farce, first produced in Lendau but now with a local

London, but now with a local cast led by Philip Bosco and Vic-tor Gerber (229 5200). Jerome Robbins' Broadway

(Imperial). Anyone attracted by the notion of three hours of film

trailer previews will adore this compendium of Robbins' directed

and chareographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dinumed by the brevity of each

piece, with a contemporary crew of Broadway aspirants who lack

New York

(246 0102).

terms. The voice is essentially an English tenor, with all the characteristics that one might much evidence that he was really determined to communicate with his associate with that description, including sensitivity to line and an affecting head tone at

the top. But when he sings out, the sound becomes unexpectedly brighter and more forward in a way that audience. The fiash of positive thinking that illuminated the opening of "Green" was what we needed more of elsewhere. more forward in a way that was to pay dividends later in music of an Italianate cut.

The greater part of his second half, though, was devoted to French melodies. In these the singer seemed increasingly at ease. A group of songs by Fauré, taken from the Melodies de Venise, were sung with affection, if without much evidence that he was In the closing songs by Falla and Respighi, a well-balanced selection, that stronger impression at last started to impose itself and the singing duly gained in colour and verbal impact. Yet even here there was little to show that this potentially appealing tenor is as yet anywhere but at the starting-line in a recital career.

Richard Fairman

February 9-15

the multi-talents that inspired the heyday of the musical.

Rumours (Barrymore Theatre). Neil Simon's lettest comedy is a saff-conscious turce, with numerous shamming doors and lots of mugging but hollow humour that misses as often sa it hits (239 6200).

Cats (Winter Garden), Still a poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent speciacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama

M. Butterfly (Sugene O'Neill). The surgrise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a nucle Chinese spy (346 0220). Phontom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phanton rocks with Andrew Lloyd Webber's haunt-ing melodies in this mega-trans-ter from London (238 6300).

Steel Magnolius (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dry-ers in a busy hairdressing estab-Hahment (988 9000).

Winter's Tale (Goodman). Frank Galati directs a production that spans the ages, interpreting Shakespeare as running from Ovid and television. Ends Feb

I'm Not Esppaport (Briar St). Shelley Berman, one-time stan-dup comic, now plays Nat, Herb Cardner's memorable Central Park character who gags his way Park character who gags his way through the 1986 Tony Award winner (348 4000).

The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (371 8000).

Kabuki. Kabuki-za. Performances at 11am and 4.30pm. Of the three pleces in the matinee, the most famous is Funa Benkei (Benkei in the Boat), which is set on a labuki version of a nob stage. The evening programme feature two short dance pieces and a full-length drama, Sannin Kich-ian (Three Men Called Kichiza), am amusing and action-packed genre piece about three bandits who all home the who all have the same name. One of them is a young pickpocket who disguises himself as a woman — a virtness perfor-mance by the versatile Kikugoro. Earphone guide in English

Earphone guide in English (541 3131).

Burraku. National Theatre, Performances at 11.30am, 3pm, 6pm. (265 7411). Each of the three programmes features a well-known love suicide drama from the 18th century. The first is by Chikamatsu Monzaemon, sometimes called the Shakespeare of Japan; the second is the story of the love between the daughter of the second is the story of the love between the daughter of an oil shop owner and one of the young clerks; in the third, the gloomy story is relieved by some virtuso puppetry including a shamisen lesson and a dance for two monkeys. Earphone guide in English.

Meridian CONTACT, MANCHESTER

through the door carrying a new Steptoe And Son, and nothing happens, then eventually it might surely be a good idea to take a leaf out of the American book and start trying to make things happen. Nor is it solely a question of discipline on the technical side. Even though the Miami retirement agence of The Goklen Girls and the Boston singles.

Girls and the Boston singles

bar of Cheers are quite foreign to most British viewers, there

The civil rights movement of the 1960s is the subject of Alice Walker's 1982 novel *Meridian*, which has been adapted for the first time for the stage by Phil-adelphia-born but Lake District domiciled Cindy Artiste. This precursor of the phenomenally successful The Color Purple takes Walker into familier ter-ritory, baring the bleedin' soul of the Ms black America who carries with her into the 20th century the stigmata inflicted. by centuries of slavery.

Her heroine, Meridian, is a modern martyr to the cause of peaceful protest who rises by dint of untutored intelligence above the round of birth, degradation and death, abandon-ing the baby of her small town mid-teens to sign up at college and join the swelling ranks of black resistance. Humiliated, abused and abandoned by her black beau, Truman, for the recy charm of a neurotic white racy charm of a neurotic white girl she sublimates the guilt of her people into a sainthood that, fine as it is, is ultimately, politically useless. She can stop a tank in its tracks by lying down in its path, but she cannot persuade humble black country folk to vote.
Paulette Randall's produc-

Paulette Randall's produc-tion, beautifully designed by Kendra Ullyart, has an imagi-native scope that goes a long-way to encompassing the sym-bolic richness of a novel in which the heroine briefly acquires a halo and a tree, watered by the tears of slaves, is dragged groaning and screaming to the ground.

The central, insurmountable, problem is the adaptation itself which begins with an ungainly interspersal of straight narrative and dramatised scenes, and finally gives up any attempt to keep abreast with the plot as Meridian returns to abendoned son has, inexplica-bly, been murdered by a young black girl, and lies down to die in front of an impressively lifelike tank.

The evening is saved by a studding of vivid confrontarable of which the young Meridian, her militant friend Ann-Marian and a young vol-unteer brave humiliation at the hands of ketchup spraying waiters in an all-white cafe with a humour and dignity that gives a thudding crueky to the subsequent torture and "disappearance" of the young

Jo Martin's Ann-Merion, rebellion bristling with her brave new afro-frizz, has a cool lligerence that contrasts well with the waiflike gentleness of Clare Perkins' Meridian, a child forced to premature adulthood by the hard facts of life and then aged beyond her years by the responsibilities that adulthood brings. This is good casting, solidly supported by the doubling of Cindy Afflick and the pixielike Faith Edwards, with a somewhat exaggerated portrait of emotional collapse from Jane Louise Arnfield as Lynne, white fall-girl to the sexua ramblings of Roger Griffiths' comparatively under-drawn

Claire Armitstead

SALEROOM

Mega Impressionist sales Christie's has added another

masterpiece to its mega picture sale in New York on May 15th. Manet's "The bench," depicting a park bench and a marble table in a garden, vibrant with red geraniums, is expected to sell for \$25m. It joins in the anction Van Gogh's portrait of Dr Gachet, which carries a top estimate of \$50m.

The week of New York Impressionists and modern picture sales will test the strength of the art market and the rivalry between Sotheby's and Christie's. The next day Sotheby's is offering one of the most famous of all Impressionmost ramous of an impression-ist paintings, Renoir's "Au moulin de la galette," which also carries a top estimate of \$50m, within sight of the auc-tion record of \$53.9m, paid for Van Gogh's "Irises" in 1987.

Phillips in London had its best furniture sale of the season yesterday. It totalled 5663,333, with just 7 per cant unsold. The top price was the 230,800 paid for a mahogany Regency dining table, 16ft 9ins by 5ft 4ins, which had a top

estimate of £20,000. The most interesting item on offer was a pair of William Kent carved giltwood chairs which are identical to chairs that Kent designed for Lord Burlington's Palladian villa,

Chiswick House, and with George Levy of Blairmans as the buyer, at £28,600 (top esti-mate £7,000), there is a good chance that the chairs might end up in what is probably their original home.

A carved mahogany stool made by Jacob Desmalter, the most fashionable furniture maker in Paris during Napoleon's glory, did very well at £22,000 and strong Italian buying reached a peak in the £16,500, three times estimate, paid for a late 18th century continental rosewood bureau, perhaps made in Dublin.

Bonhams just failed to reach \$400,000 with its "Dogs in Art" sale which it completed on Monday evening. Another disappointment was the fairly high unsold percentage of over a quarter in value. Still, most of the top lots did well, the dealers McConnell-Mason pay-ing £19,800 for "By the Day's Bag" by Arthur Wardle, which shows gun dogs guarding the game. Anyone still keen on pet pictures should go along to Christie's South Kensington tomorrow evening for an auction "Man's Best Friends," which includes cats along with some rather good dog pictures.

Antony Thorncroft



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Wednesday February 14 1990

The Party tries again

THE MOST radical part of the "platform" of the Soviet Communist Party's central committee - the document which will be put to the 28th Party Con-

gress in the summer in order to set the Party on a new track — is that on the economy. All else is a matter of follow-ing the processes already in train in Soviet politics and society. This is not to dismiss the significance of the proposed abolition of article six, which enshrines the Party's which ensurines the rarry's leading role, or of greater autonomy for the republics, or of democratisation within the party itself, or, indeed, to move towards the creation of a democratically elected president. But all these can no longer be described as initiatives.

Taking the lid off Soviet soci-

ety, as Mr Gorbachev has sought to, has meant that suppressed longings for national and individual freedoms have taken political, even violent, forms. To do the Party justice, its platform is not seeking to turn clocks back. It is trying to roll with the punches, hoping to be able to get up off the floor afterwards. If, like Tyson, it cannot, there is going to be no external body interfering to try and get its crown back.

Remained immune

The economy is different. It has so far remained immune to all that Mr Gorbachev's reformers have tried. The various pieces of legislation look impressive. They have given enterprises the duty to be selffinancing and allowed co-oper-ative (private) businesses to be established; they have urged farmers to lease their own plots of land; they have desperately exhorted individuals to show initiative in work. But none of these has shown much

The enterprises stagnate, the co-operatives are unpopular and parasitic, the peasants do not want the land. This is hardly surprising: there are no real prices, no markets in capi-tal or labour and the commund economy has simply changed shape, not disappeared or even

It is, therefore, important that the Communist Party platproperty, including ownership of the means of production.

does not contradict the modern stage in the country's eco-nomic development." It is equally important that it wants to pay increased interest rates on deposits in banks (currently at 2 per cent), develop the at 2 per cent), develop the insurance business, sell houses and create joint stock companies. It is even eloquent, and right, in its recognition that equal competition between different forms of property "is the economic basis of civil freedoms, of the freedom to choose the form and method in which the form and method in which a worker will work, and the guarantee of consumers' rights and interests."

Command economics

But will it get off the paper and into the streets? Much of the platform's rhetoric was knocked on the head last year, when Mr Nikolai Ryzhkov, the Prime Minister, decreed a return to command economics to address the chaos in the economy. The party hardliners are waiting to ambush it at the next Congress. Mr Yegor Ligachev, their representative in the polithuro, told the Cen-tral Committee plenum last week that he would resolutely oppose "opening the alightest chink to permit the introduction of private ownership," and called for a referendum on the issue. Most politicians who call for a referendum believe they will win it, and, on this issue, he probably would have the edge on Mr Gorbachev. On the basis of recent, if limited, experience the mass of recents are a second. rience, the mass of people asso-ciate the free market with higher prices and harder work.

Not much is welling up from below in the Soviet Union which gives market liberals any cheer. The Communist Party and the Government have so far backed away from every challenge to the effects of any timid liberalisation they have tried. The best hope for a move towards the market may lie in the policies pursued by independent minded republics like those in the Baltics.

The time for struggle by res olution and document and speech has long been over in the Soviet Union. If the Party cannot initiate reform any longer, it must give way to a force the existence of individual must also be hoped that it means what it says about a multi-party democracy.

Drexel dismembered

FEW TEARS will be shed over the financial woes of Drezel Burnham Lambert, the Wall Street investment bank which beloed snawn an enidemic of contested takeovers in the 1980s by creating the junk bond market. The sheer speed of the progression from hubris to nemesis — the firm made profits of close on \$1bn as recently as 1986 — has gratified many of the competitors it treated with such scant respect. Prominent industrialists who have been threatened by Drexel's predatory clientele will breathe a little easier on the news that the firm's holding company has defaulted on \$100m of loans. And central bankers will probably be con-tent to see an example made of an investment bank whose troubles appear to pose no systemic threat to the US finan-

cial structure.
It is a classic tale of overreaching ambition and financial excess. The irony is that it might have ended very differ-ently if the business cycle of the 1980s had not proved so durable. For in the late 1970s and early 1980s former Drexel partner Mr Michael Milken, the junk bond innovator, could reasonably claim to have financed many sound, if unspectacular, companies that might otherwise have been denied access to the bond market. If the junk bond market had been tested by an economic downturn at an earlier stage, it would not have played host to so many ill-judged issues where a successful outcome depended on early refinancing or asset sales.

Corporate raiding

That is not to say that the growth of the junk bond market since the mid-1980s yielded no wider benefits. The pros and cons of corporate raiding will be debated indefinitely and many of the raiders who owe their fortune to Mr Milken sport unimpressive track records; but it is hard to believe that the threat to hitherto invulnerable giants like Goodyear Tire and Rubber or BAT Industries, which would have been inconceivable without the existence of the iunk market, was wholly without merit in terms of the impact on

incumbent management. That said, it was a thor-

oughly distorted market. Most junk bonds were, in reality, a disguised form of equity. No matter that the so-called bond was frequently backed by a negligible cushion of equity in the balance sheet or that the interest was uncovered by present or potential income.
Institutions which were otherwise debarred from holding equities could enjoy the prospect of equity-type rewards thanks to a little semantic jug-gling. In the case of the savings and loans associations, management was often gambling on above-average returns from junk in the knowledge that the risk was being socialised via the deposit insurance system. Above all, the bandwaggon was given excessive impetus by a tax system which favoured debt relative to

Investment malaise

The logic in too many junk bond deals was based on the investment bankers front and fee rather than a realistic assessment of the client's needs. And that, in the end, has been the cause of much of the malaise that now afflicts the wider investment banking fraternity. The readiness to provide bridging finance in order to facilitate highly lever-aged deals has already hum-bled First Boston, which is backed by a substantial Swiss bank shareholder, in the shape of Credit Suisse.

Drexel, on the other hand. has a less powerful European shareholder in Groupe Brux-elles Lambert. It has paid a massive \$550m in times, following Mr Milken's indictment on charges that followed Wall Street's insider trading scan-dal. And it has suffered a devastating loss of confidence in the markets on the basis of the decline in values and the collapse of liquidity in the junk

With so many eggs in the junk bond basket and unquantifiable contingent liabilities on the legal front, Drexel Burnham Lambert is a less than enticing morsel for potential rescuers. Dismemberment is the only option. But there is at least a certain symmetry in the spectacle of market discipline being applied to the firm that unleashed a host of raiders on the US corporate sector.

Janet Bush and Anatole Kaletsky report on the effects of the Drexel crisis

n theory, nobody in the financial world was actually surprised by this week's crisis at Drexel Burnham Lambert. Speculation that Drugel would not be able to survive in

its present form has long been common currency on Wall Street.

Yet the announcement that Drezel is considering bankruptcy proceedings will have a psychological impact far beyond the monetary losses that might be suffered by the firm's shareholders and creditors.

For even through all the recent tro-

For, even through all its recent travails. Drexel has continued to domi-nate the \$200bn market for high-yield. high-risk junk bonds which it created almost single-handedly in the early 1980s. The firm's collapse therefore sounds a symbolic death knell for the whole era of frenetic junk-hand financed deal-making which trans-formed the face of US industry in the

In fact, this psychological and symbolic aspect of Drexel's demise is probably more important than any humediate financial implications.

The junk bond market has burched from crisis to crisis since last autumn, and some investors were willing to dismiss the Drexel-related sell-off of the past two days, which has taken most prices down by 56 per cent, as just another episode in the market's

just another episode in the market's long search for a floor.

Many investors agreed yesterday that junk bond prices had reached bargain levels by almost any standards and that a substantial hotion-fishing" rally might lie just a few days ahead.

The market's collapse began last September when junk bond investors took their first hig hit on news of a credit crunch at Campeau, the Canadian real estate conglomerate which built a US retailing empire on a mountain of junk bonds and then could not service its debt.

There has already been a marked

There has already been a marked slow down in the number of highly-leveraged takeovers backed by high-risk, high-yield junk bonds — deals which were the hallmark of the late 1990s.

1980s.

There have only been two new junk bond issues in the public market so far this year, according to Securities Data Co, compared with 18 issues in the first two months of 1981. Around 20 new lauses are scheduled for this month — 16 underwritten by Drexel — but their postponement seems increasingly likely.

At its peak, the value of junk bonds outstanding was \$200bn. Estimates now suggest that the market is worth only around \$150bn, meaning that

only around \$150bn, meaning that holders of speculative grade debt between them have absorbed or are still sitting on losses of \$50bn.

The question now facing Wall
Street is whether the junk hand mar-ket is in the throes of a crisis forced

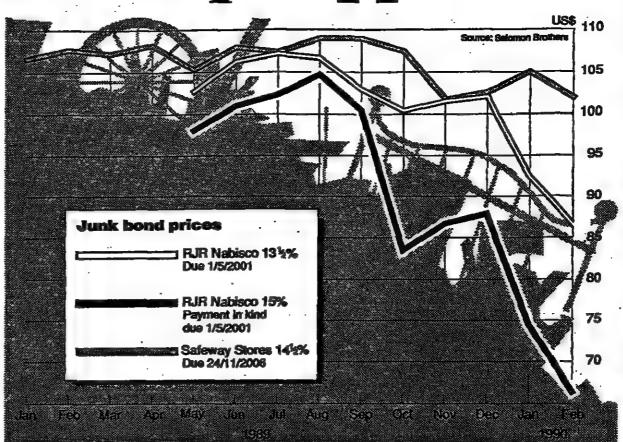
by a particular conjunction of circumstances or whether the market has ultimately proved to be fragile, illiquid and overly dependent on support from a few individuals and recurities firms who built it up from scratch. The junk bond market was the brain-child of Mr Michael Milken, the former head of bond trading at Drex-el's Beverly Hills office, who was insider trading and securities fraud. Junk bonds offered equity-like risks

Junk bonds offered equity-like risks and rewards to investors seeking attractive yields and became a source of capital to small, emerging companies which, Drexel argued, could not easily find credit from other lenders.

They soon became, however, the prime source of funds for the most powerful takeover artists in curporate America. Many of these raiders were in turn friends of Mr Milken's and his in turn friends of Mr Milken's and big investors in the junk bonds issued by other members of the Milken circle. This merry-go-round of junk bond issuers and investors, also included a

number of savings and loans (S&Ls)

When the junk heap topples



and insurance companies, mostly based near Drezel's junk band head-quarters in Beverly Hills. Using this network, Mr Milken and Drezel were able to foster an impression of liquid-ity in the market But after his Milken ity in the market. But after Mr Milken was indicted and forced to leave Drezel this liquidity turned out to be

There is now a camp of opinion — largely populated by those who have large junk bond holdings — which believes that the risks of holding high yield securities are newhere user as large as current prices suggest and that there has been a crushing coincidence of events.

dence of events.

The market has been hit by two factors; some hig defaults by companies burdened with high interest payments on their debt; and the government's savings and loan bail-out hill which ordered thrifts to get rid of their junk holdings by 1994.

"There were a few highly publicised defaults and the forced sales by thrifts but I do not believe that the probability of further defaults went up as much as prices suggest, said Mr Fredreck Joseph, Drenel's this emputive in an interview two weeks ago.

"I believe that high-yield bonds will he the major source of fixed rate capi-tal to industry throughout the 1990s." est crisis at his own firm, Mr Joseph's confidence seemed exaggerated to the point of perversity. Although there doubtless are some splendid bargains to be picked up in the junk bond market's indiscriminate sell-off, his-

tory is most unlikely to justify Mr Joseph's faith in the fundamental usefulness of high-yield bonds.

In fact, the idea that junk bond investors had somehow fallen victim to an unfortunate series of temporary and unrelated accidents is a perfect

example of the topay-turvy logic com-mon in Wall Street's bull market of

The junk market has not been a victim of accidents. It has itself been an accident waiting to happen. The real surprise has not been the speed with which the market unravelled, but rather the length of time it sur-

From the start, Drexel's junk bond approach had several inherent flaws: Junk bonds appeared to offer equity-type returns, backed with the guarantees and security associated with bonds. This tempted into the market investors such as S&Ls and insurance appropries, which would normally companies, which would normally have been prevented by regulators

With Drexel and the junk bond market in disarray, the era of leveraged takeovers is probably over

ing high-yielding junk bonds, these companies in turn were able to offset apparently more attractive opportunities to retail investors and rapidly gain market share at the expense of more prudently managed competitors. The junk bond market therefore made an important contribution to the US thrift crisis. It now threatens similar problems for some insurance compa-nies and pension funds, with liabilities that may ultimately have to be made good by US government agen-

• The use of junk bonds allowed leveraged buy-out (LBO) firms and curporate raiders to impose untenable

capital structures on the firms they were buying or restructuring. Junk bond investors were also persuaded to accept ever more complex and exotic types of securities, which generally deferred cash payments. Issuers were exposed to enormous financial risks unless these securities could be

nnless these securities could be redeemed or refinanced before they needed to be erviced in cash.

Such securities and capital structures made it possible for takeover operators to pay extremely inflated prices for the companies they were buying. This stoked up the bull market on Wall Street and contributed to the general inflation of US asset values. But once these values stopped growing, companies which had relied on refinancing and asset sales were rapidly forced into default.

All of these problems were in a

• All of these problems were in a way a symptom of the fundamental way a symptom of the fundamental innovation which Mr Milken introduced into the US capital markets. Effectively, the junk bond market dispensed with the intensive credit analysis of the kind practised by banks who lend to high-risk boarowers. Instead of analysing credit, many truck bond investors thought they could protect their interests by off-loading their bonds, if necessary, in the secondary market — an idea which turned out to be an expensive illusion in the last few months. · Finally, the junk bond market seemed to ignore the economic cycle. Bond prospectuses usually projected constant steady, or even accelerating, revenue and profits growth out into the indefinite future, implicitly assuming that there would never be nonnomic slowdowns or interest rate squeezes. In the words of Grant's

Interest Rate Observer — the industry newsletter which has been the junk world's intellectual nemesis — they

were "capitalised for prosperity."

Until the middle of last year, it was this last point that most worried Wall Street. The favourable default statistics that high-yield dealers always quoted were justifiably viewed with scepticism, since they were based on a continuous period of economic prosperity and generally declining interest rates.

Given that only a handful of high-yield bond issues existed before the recessions of the early 1980s, nobody could really claim to have much idea of how junk bonds might perform in harder accommon times harder economic times.

In fact, even Mr Joseph often con-ceded that a recession would set the ultimate test for the stability of the junk bond market, as well as for the financial resilience of his own firm.

But what has been most surprising, as well as disturbing, about the recent junk bond crises is that they have junk bond crises is that they have occurred with no prompting from the economy at all. The US economy is still growing, albeit slowly, and interest rates are lower than they were a year ago. It scarcely bears thinking what state the junk market might now be in, if a recession were expec-ted to hit the US economy within the

ted to hit the US economy within the next year or so.

Nevertheless, some of the die-hard optimists on Wall Street manage to find comfort even in this dire analysis. They suggest that the junk shakeout may actually be providential because it is finshing out many of the speculative excesses in the US financial system before a recession hits.

A year ago, with the \$25bn laveraged buyout of RJR Nahisco just completed, the leverage mania on Wall Street seemed to have broken all bounds of size, risk and price. A few months later, the last geographical frontiers seemed to be overcome with the announcement of a potentially even higger hid for BAT industries by Sir James Goldsmith, one of the first Sir James Goldsmith, one of the first corporate raiders to receive finance from Michael Milken.

There seemed to be no limit to how far the mania for leverage could go. Today, it is almost certain that RJR Nahisco was the high water mark. With Drezel and the junk bond mark. het in disarray, the era of leveraged takeovers and corporate raids is prob-

ably over.

In the long run, that may be good news for the US economy and even for the stock market, where companies are once again being valued on their business prospects and profits rather than their takeover potential. But it is probably too optimistic to suppose that the worst of the junk bond bankruntries and defaults is bond bankruptcies and defaults is already behind. Perhaps the best that can be said for the future is that a US bankruptcy does not carry the same stigma, or have the same catastrophic implications, as it does in most other

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12.

In the US, it is quite possible for companies to operate and even to expend their businesses while keep-ing their creditors at bey through Chapter 11 bankruptcy protection. This is what about a dosen hig junk bond issuers are already doing and it looks as if they will soon be joined by Drexel itself, in the next year or two the ranks of large communics operations. ing under Chapter 11 are sure to

grow. For bond-holders, of course, a Chapter 11 filing is usually a disaster. But the economic damage from the col-lapse of the junk bond market will certainly be limited by the protection which bankrupts enjoy in the US.
This may be the final irony of the
whole junk bond sags. It was America's lackadaisical attitude to credit which spawned the junk bond market. Now the same broad-mindedness towards debtors will be the economy's main protection against the conse quences of the junk bond market's collapse.

Following his father

EDominic Lawson is taking over as Editor of The Spectator, a post once held by his father, Nigel. The appointmen is not entirely a surprise, least of all to Lawson. He has been deputy editor since he left the Financial Times (where his father also once worked) in 1987 and Charles Moore, the outgoing editor, always said that he hoped that Lawson would succeed him.

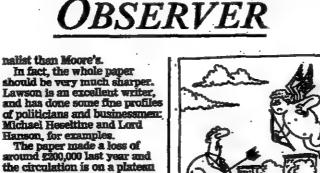
Still, there could have been vicissitudes along the way. When Lawson arrived, The Spectator was owned by the Australian group, Fairfax. Con-rad Black, best known for his ownership of the Daily and Sunday Telegraphs, took it over in 1988. Black also dab-bled in the monthly, Encounter. Now it looks as if he is making The Spectator his intel lectual flagship.

Under Moore's editorship,

it was a rather conservative, even churchly magazine with a reputation for good writing, even though some of the writ-ers seemed interchangeable with those of Telegraph group. Will it be different under Lawson? The editor-designate gives a diplomatic answer. "We have a good record of continuity in style. The paper will continue to publish anything that is well written. There is no need for us to have a view on

everything." Lawson adds that the paper argued strongly that Mrs Thatcher should stay when his father resigned as Chancel lor, has taken the Thatcher line on Britain and the European Monetary System and has supported the poll tax. He wonders whether readers could have known which leaders were written by Moore and

which by him.
There might be a difference on religion. Lawson is an agnostic. "We might have leaders rather than sermons in the editorial space at Christmas and Easter," he says. In gen-eral, his views are less pater-



Michael Heseltine and Lord Hanson, for examples.

The paper made a loss of around £200,000 last year and the circulation is on a plateau of about 36,000. The forecast for 1990 is that the loss will

Nile sale ■ A touch of the Sotheby's auc-

tion room came to the famous old Cataracts hotel in the Nile town of Aswan this week. The occasion was a meeting of Queens, Princesses, Sheikhs and Presidents to inaugurate an appeal for funds for the new Alexendria Library.

Bidding was started by Prince Turk Bin Abdel Arts of Sandi Arabia with an offer of \$3m. The sum was quickly made to seem paltry by a con-tribution of \$20m from Sheik Zayed Bin Sultan al-Nahayan, the ruler of the United Arab

Emirates.
Then the telephone bidding started. President Saddam Hussein of had called from Bagh-dad to put in Silm — much to the applause of the crowd, including President Mitterrand of France, Queen Sophia of Spain and Princess Caroline of Monaco. President Muharak of Egypt

presided, and showed once again his country's skill in extracting money from the international community. Mit-terrand promised French technical assistance. The Egyptians hope that

the new library, which is to he built on the Alexandria waterfront at a cost of about \$200m, will help in the regeneration of the Mediterranean town, which has been in decline for many years. The old library of Alexandria was



"I cam't feel a thing — it's stack in my cheque book."

a premier centre of scholarship in the ancient world before its destruction during the Roman period 2000 years ago.

■ Women are having a good week in Antipodean politics. On Monday Australia appointed its first woman state premier, yesterday New Zea-land went further with the announcement, during the Queen's visit, that the next Governor General will be Dame Catherine Thard, one of the country's best known and most popular politicians and the first woman to hold

Women's week

the post. Dr Carmen Lawrence, takes over as the premier of Western Anstralia. She is 41, has a doctorate in behavioural science and was elected to the state parliament in 1986, becoming state education minister two years later. She says she intends to bring to the job stiributes common to women; "A willingness to listen, a commitment to hard work, a gener-

osity in spirit and lots of

old-fashioned commonsense." The attributes apply to Tizard, known throughout both islands of her country as "Dame Cath." She is 58 and has been mayor of Auckland for nearly seven years, having entered politics after teaching zoology at Auckland Univer-

Not only did she help to secure the recent Commonwealth Games for Anckland; she persuaded government and business to guarantee

Auckland against any losses. Her reputation for plains speaking does not go quite as far as that of her former hus-band, Bob Tizard, New Zea-land's Defence Minister at the time of Emperor Hirohito's doubless was

death last year. It was he who said: "Hirohito should have been shot or pub-licly chopped up after the Sec-ond World War. For New Zealand to express any sympathy grates against my back teeth."

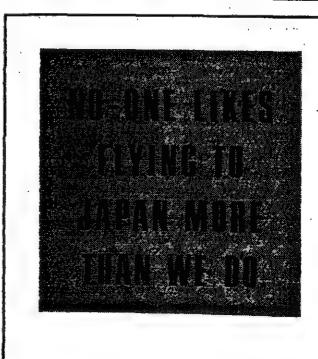
Polish debt

Polish Prime Minister who is having talks in London with Margaret Thatcher about Poland's economic problems, was surprised to find yesterday that Polish debt was a matter of concern to the City as long as six centuries ago. Before having lunch as the

guest of the Lord Mayor in the Mansion House, he was shown a manuscript letter in Letin dated August 4, 1325, in which the Mayor and Commonalty of London requested Henry, Lord of Poland, Stralsund and Rostock to compel a certain John le Whit, a German who had taken refuge in his owed to London citizens.

Early post

The British Post Office is full of surprises. A friend carefully posted her Valentine cards after the last collection on Monday evening in the hope that they would arrive today. They were delivered yesterday.



Only JAL have 33 flights a week from Europe to Japan.



or the world chemical industry, the party is coming to an end. After four years of steady expansion and good profits, many chemicals companies face much

many chemicals companies face much tougher times in the early 1990s.

The difficulties seem especially intense for businesses which have built up over the past decade in speciality chemicals — high-value, research-intensive materials sold in low volumes and geared to specific applications in indus-In the past few years, many compa-

nies in the \$1,000bn-a-year chemicals sector have tried to differentiate speciality operations from high-volume, low-value commodities which are thought to have unexciting long-term growth potential, such as ethylene, sulphuric acid and chlorine.

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Against expectations, commodity products saw good increases in sales and profits during the late 1980s. though prospects are starting to dim with an anticipated slowdown in eco-

nomic growth in many countries.

Specialities — which include paints, agrochemicals, engineering materials and industrial chemicals such as polyurethanes — had a lot to offer the chemicals industry in the early to mid 1980s. This was due to the perception that they are linked to relatively fast that they are linked to relatively fast moving application areas and are in fields where competition is weaker than at the commodity end of the industry.

Also, the chemicals sector had been in steep recession during the early 1980s. At the time, profits in commodity products hit rock bottom. There was a large move out of these areas and into

large move out of these areas and into the higher-value end of the business. But in many cases margins in special-ities have been lower than expected. One reason is that in some sectors one reason is that in some sectors —
engineering plastics is a good example
— more companies than anticipated
entared the same field, bringing
tougher competition. Also many businesses underestimated the high
research and development (R&D) and
marketing costs involved in specialities.

"A lot of companies have proved into

"A lot of companies have moved into specialities, only to find their characteristics are not much different from com-

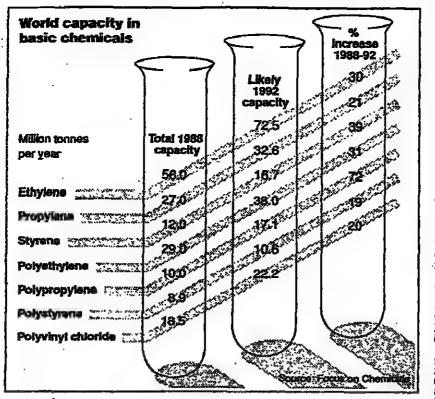
istics are not much different from commodities," says Mr Rainer Dekker, a
chemicals-industry analyst at Frankfurt-based Commerchank.

Imperial Chemical Industries,
Britain's biggest and the world's fourth
largest chemicals group, faces particular problems from a slowdown in sales
and profits in both the commodity and
speciality ends of the industry. The
company, which announces its results
for 1969 next week, is expected to unveil for 1989 next week, is expected to unveil a pre-tax profit only a few per cent higher than the 1988 figure of £1.47bn.

ICI has found that some of its speciality operations, including paints and industrial chemicals such as films, are industrial chemicals such as films, are not making as much money as it had hoped. It is not alone in this. A number of other large chemicals companies may well encounter problems in the next few years in their speciality activities, according to analysts. These groups could include Akzo of Holland, Bayer and Hoechst of West Germany and the US's Du Pont and Dow Chemical.

Adding to the difficulties is the fact that the industry's commodity end,—which in the past few years has expen-

Peter Marsh reports on the problems facing the specialty chemicals industry



A compound of difficulties

ded at an unexpected pace, largely because of healthy economies in the developed world — is heading for a

That may disturb many companies which, busyed up by a profitable past few years, announced large investment plans in commodities. These could herald overcapacities in many big-selling

materials and a decline in profits,
Mr Stuart Wamsley, a UK analyst
who is publisher of Focus on Chemicals, a newsletter, says the world faces
a 30 per cent increase over the next two
years in production capacity for ethylyears in production capacity for ethylene. This is one of the most important chemical building-blocks widely used in bulk plastics. Mr Wamsley envisages similar increases in other materials, including high-volume plastics such as polyethylens and polystyrene.

A study by Kline & Company, a New Jersey-based chemicals consultancy, highlights the difficulties with many speciality operations. The report shows that in the US only a few areas of speciality chemicals, for all their perceived promise, look like achieving high growth rates in the early 1990s.

growth rates in the early 1990s.
Out of about 50 classes of speciality products, only five — diagnostic and

electronic chemicals, industrial enzymes, elastomers and photovoltaic materials — are likely to register between 1988 and 1933, says the study.

There has been a lot of dislikusionment (with specialities)," says Mr Steve Daigle, a business manager at Kline.

For all this, many of the large companies in the industry are at rains not to es in the industry are at pains not to

show signs of worry. Mr Hermann Strenger, chairman of Bayer, points out that the chemicals business has grown that the chemicals business has grown exceptionally in the past few years. "It is difficult to see the industry continuing to expand at this rate. We (the obsuicals sector) have been spoiled."

Monsanto, a hig US chemicals company, spent \$1.5bn during the 1989s on R&D and other investments in speciality-chemical operations linked with biotechnology, mainly in agricultural applications. At the same time, the grown eased out of many commodities group eased out of many commodities areas such as bulk plastics. "There are huge possibilities from biotechnology over the longer term," says Mr Earle Harbison, Monsanto's president. "Over

the shorter term, we are saying that if there is a modest (economic) growth

worldwide of 2 per cent, then we (Mon-

santo) will do OK. And we will do a lot better than many other companies that are more linked to commodity

The first sure signs of a slowdown in demand in the commodity side of chemicals have come in the past year. There has been a marked reduction in prices in both the US and Europe, cutting into manufacturers' margins.

Low-density polyethylene, which was about \$1,000 a tonne a year ago, is now 30 per cent cheaper in many markets. The price in Europe of ethylene was about \$900 a tonne at the beginning of 1989 and is now less than half that.

With forecasters predicting further price reductions, there is a new focus in the industry on redefining product strategies in both the commodity and speciality ends of the sector and also on

cutting back on costs.

ICI, for example, has in recent months announced the sale of some of its peripheral interests such as elec-tronic chemicals. It has also ordered operating divisions to reduce spending in anticipation of tougher times ahead Royal Dutch/Shell, the Angio-Dutch oil and chemicals company, is considerthis and chaincais company, is considering selling its European operations in seeds — which are regarded as a potentially lucrative speciality area for the late 1990s but involve high development

DSM, the large Dutch chemicals group, has announced moves to divest its interests in polyvinyl chloride (PVC), a bulk plastic widely perceived as having low-growth prospects in the 1990s. But companies can have widely differing views of the future. Norsk Hydro, Norway's biggest chemicals company, is expanding PVC production — largely because it is a big supplier of vinyl chloride monomer, a chemical used as PVC feedstock.

Companies in the industry which have hit particular problems are the out-and-out commodity producers. Starling Chemical, a US bulk-chemicals maker, saw net income last year fall by 50 per cent, from \$213m in 1988 to \$104m. Sterling says that some "exceptional events", such as a large reduction in chemicals exports to China, which for many years has been a hig buyer of US chemicals, made 1989 worse than expected. "We are reasonably con-fident about 1990," says Mr Dong Mat-ten, a Sterling vice president. Mr Tom Bessley, a chemicals expert at CMAI, a Houston-based consultancy, says he is outlinistic that the industry

at CMAI, a Houston-based consultancy, says he is optimistic that the industry will not slide into a repeat of the recession of the early 1980s. "A lot has changed since then," he says. "Companies are less willing now to expand capacities at all costs (if demand is beginning to fall) and are better attuned to reacting to the market."

The there shead many see good pros-

Further shead, many see good pros-pects for the West's chemicals industry arising out of the political and eco-monic changes in eastern Europe. Many basic chemicals materials, linked to consumer industries, are in short sup-ply in the region. But the changes are unifiedly to mean quick profits. "No one is going to make any money from east-ern Europe for a decade," says Mr Wamsley, the UK chemicals analyst. "In the shorter term, the problems will German economic integration

Let monetary union bond East and West

By Hans-Peter Fröhlich of West German and foreign

companies about profit repatri-ation or currency devaluation.

• A common currency will speed up the process of eco-

nomic restructuring. It will

force the East German Govern-

ment to address other reform

issues, ranging from freedom of trade to price liberalisation.

Monetary union is no pana-cea after all. The benefits will

materialise only if it is part of

a comprehensive reform pack-

age. Half-baked measures may well be counter-productive as the Soviet experience suggests.

What are the consequences for West Germany? Here one has to make a distinction

between two types of effects. The first results from the

breakdown of the East German

economy after 40 years of com-munism. West Germany is

committed, in this situation, to providing far-reaching assis-tance including monetary co-operation. This will undoubt-edly impose a substantial bur-

den on the country's economy

and its citizens. But these costs have to be borne no matter

which specific form of assis-

tance is chosen.
The second addresses the

implications of a unified Ger-

man currency as opposed to other forms of monetary co-op-

eration (for example, EMS-like exchange rate stabilisation). Public discussion often

eems to confound the two cat-

egories. Thus in many cases the alleged drawbacks of a

shared currency turn out to be associated with any form of monetary stabilisation in East

Germany. A good case in point is the inflation issue. While

currency union is often thought to be inflationary, it

may actually be the best safe-guard against inflation among the various plans under consid-

eration. The reason is that the Bundesbank in Frankfurt, with

its proven low inflation record,

will be in sole control of the

money supply in both parts of

Germany, The initial substitution of

D-Marks for East Germany's stock of currency in circulation

any foreign observers have been amount to Bonn's decision to Cormany on offer talks to East Germany on setting up a currency union. So have many Germans. In the European context monetary union has always been seen by German officials as the final stage in a lengthy integration process. With respect to economic unification between East and West Germany this order of priorities has been reversed. Monetary union is regarded as the vehicle for eco-

But the analogy between European and intra-German integration is misleading. All of a sudden Germany finds itself in a historic situation. The objective is to merge two parts of a formerly divided nation. On the European level, the issue is close economic cooperation between independent nation states. Even more important, Germany is faced with an acute crisis. The old command-type structures in East Germany have been swept away without being replaced by new institutions and mecha nisms. East Germans are leaving their country by the thousands each day. Morale is sagging and production is shrinking.

nomic integration.

drastic action is required. Residents of East Germany are waiting for a signal that change for the better is on their way. Substitution of the D-mark for the East German Mark is likely to serve that

purpose.
There are also economic arguments in favour of rapid monetary unification:

Sound money is a prerequistate for growth. At present, East Germany is unable to provide a stable currency. The central bank has no experience of conducting open market operations or foreign exchange interventions. Starting from scratch to establish an infrastructure for monetary policy would imply a risky and costly detour since monetary union with West Germany is scheduled to come at the end of the process anyway.

Sharing the D-Mark will boost badly needed capital imports to East Germany. Mon-

will not be inflationary either. The operation is by no means equivalent to simply printing money and giving it away. Instead the increase in the D-Mark money supply will be matched by additional producetary union will remove a big obstacle by dispelling the fears

tion capacity.
While little of the existing East German capital stock may live up to western standards, it will continue to produce for local demand. Residents of Dresden will not buy their bread in the West. After accounting for the expenses of daily life they may have little income left for excess con-sumption. Moreover, they may choose to save rather than spend their precious D-Marks,

as did their compatriots in the West after 1949. In only one case could the West German economy be exposed to a dramatic increase in aggregate demand which would translate into higher prices: if all East German liqnid assets, such as saving deposits, were converted into D-Marks at once without any restrictions for withdrawal. But this problem can be overcome, for example, by tempo-rarily freezing part of the deposits. It should be noted that such a step would be inevitable under any scheme of currency convertibility in East

Furthermore, widely held expectations of D-Mark depreciation seem largely unfounded The external value of the D-Mark is likely to go up as German interest rates rise because of an enormous need for capital, both private and public. At the same time, for-eign investors will be attracted

by opportunities in the East. The resulting capital inflow from abroad will be reflected in the decline of the German current account surplus or even a temporary deficit. In this regard, developments in Germany may bear a close similarity to the situation in the US during the early 1980s.

The picture painted here of a shared currency for East and West Germany may seem overly bright. It is not difficult for economists to come up with dozens of reasons why it will not work. But then the same was true back in 1948. The majority of people at the time were afraid of Ludwig Erhard's bold lesp into the dark. Only a handful of people shared his visionary optimism. History proved them right.

The author is Senior Economist at the Institut der Deutschen Wirtschaft, Cologne.

LETTERS

Dangerous argument for productivity-related pay

From Professor Richard
Layard:

Sir, John Banham, the CBI's
Director-General (Letters, February 5) says productivityrelated pay is an important reason for the good productivityity growth of the 1980s. Unfortunately, the evidence does not support him. Between 1879-1986 have been mainly due to technological differences and nothing whatever to do with differtunately, the evidence does not support him. Between 1979-1986 productivity growth in manufacturing varied hugely between industries — doubling in man-made fibres while it in man-made intres while it was constant in brewing. If pay had been based on productivity, wages in man-made fibres would have doubled relative to those in brewing. In fact, the wage increase was identical in both industries (70 per cent). Moreover, if one compares the farmer bremches of manufacturing over that period there is no correlation between the rate

ing whatever to do with differ-ential work effort. For this reason they have not been reflected in wage setting, nor should they have been Second, employers have of course rewarded workers for improved manning practices,

as they should. But improvements here have been scat-tered across industries in a way that was unrelated to overall productivity growth. So does this mean that all is well? Unfortunately not, for inflationary pressure has been excessive. And talk of produc-tivity-related pay has increased

thity-related pay has increased this pressure.

Consider, for example, the argument (repeatedly heard) that it is all right for pay to double in an industry where productivity doubles because this will cause no increase in unit labour costs. The argument is unbelievably dangerous. For, as the evidence I have quoted shows, connetition for quoted shows, competition for labour will then ensure that wages rise at the same rate in the low productivity growth industries. Thus in these latter industries unit labour costs will inevitably rise. Hence average unit labour costs in the economy will rise. And so

will average prices.

If, instead, we want average prices to be stable, some prices

must fall while others rise. In fact roughly half of all prices must fall. So it is not good enough for high productivity growth companies to contain their unit labour costs. They must reduce them.

It is tragic that this simple piece of arithmetic is not more

widely understood. Until it is, one must be quite gloomy about our chances of combating inflation without unacceptable levels of unemployment.

There could be only one argument against the simple arithmetic. That is that we do not want a competitive labour

market. But that cannot be

Richard Layard, Professor of Economics, London School of Economics Houghton Street, WC2

what John Banham means.

A realistic strategy for Hungarian Airlines

From Mr Paul J. Hogan.
Sir, Paul Abrahams's report on the poor showing of the new terminal at Budapest airport ("Hungarian airline's high-flown ambitions stuck in the terminal," February 3) does not fairly reflect the strategy and abilities of this important sector which is being prepared for privatisation.

for privatisation.

Maley Hungarian Airlines does not have delusions about providing a hub and staging post. Malev's entirely realistic strategy centres on serving Hungary's intra-European

Last month the airline ordered three new 737-300s to complement its existing 737s. These aircraft, all supplied on operating lease from GPA, will

From Mr John Willman.

Sir, The editor of Marxism Today, Martin Jacques, argues (Letters, February 6) that it is as unfair to hold Marx respon-

sible for the communist world as it would be to hold Christ

responsible for the Inquisition.

deserves closer examination. First, there is nothing in the

doctrine of Christianity which

produces the excesses of the

Inquisition: it is clearly an

aberration. As Mr Jacques him-

self admits, Marx's own writ-

ings do allow the individual to

be suborned to the collective in

the interests of history - the

intellectual roots of the gulag.

This glib assertion demands

commit the airline to lease payments in excess of \$1.5m each month, payable in dollars. As Maley has neither sovereign immunity nor state-backed credit guarantees, I doubt that the hard-headed GPA would commit \$150m of assets on a strict commercial basis to an east European airline if it did not think it a good bet.

The suggestion that traffic at Budapest airport is exception-ally low is entirely unscienti-fic. Official ICAO figures show that Budapest airport handled 2.1m passengers in 1988. At Cologne/Bonn, serving the capital of Europe's economic superpower, the figure was

Marx's responsibility for the faults of communism

untarism based on the laws of history to describe the appall-

ing results of Stalinism

Second, Christianity does appear to have produced some

beneficial results in human

history, not least in the arts and advancement of learning (I say this as a non-believer). The same cannot be said of Marx-ism, which has produced tyr-

anny and impoverishment

wherever it has gained pur-chase, stifling the intellect and

To claim western social

democracy as a product of Marxism, as Mr Jacques does,

deserves some sort of award!)

the airport has more to do with

an Anglo-Saxon/Magyar clash than one between capitalism tainly had far worse experiences with our BAA free

Lastly, for Mr Abrahams's benefit I called a colleague at Maley to ask him why the condom brand at the airport was called "I \(\Phi \) Robinson." He said these were South Korean, not Hungarian condoms - another sign of the times - and that the name was an improvement on the previous even more bewildering "Robinson Cru-

Paul J. Hogan, only a little more, 2.3m.

The experience of your correspondent with the services at 26 Eccleston Square, SW1

ignores the fact that it became western social democracy pre-cisely because it left the Marx-

Finally, Marxism Today may

attract non-Marxist writers

who enjoy the frisson of writ-

ing for such an arcane title.

But its analysis of current

events - post-Fordism and the

rest - betrays the same eco-nomic determinism and period-

isation of history that is at the heart of the Marxist theory.

And it is that determinism

which is responsible for the

political consequences of com-

John Willman,

Pigmeat futures opportunities

From Mr Tom Crane.

Sir, I fully agree with David Richardson's article ("Uphill struggle on the pig price cycle," February 6) on the wide price fluctuations and the lack of profit to the pig producer.

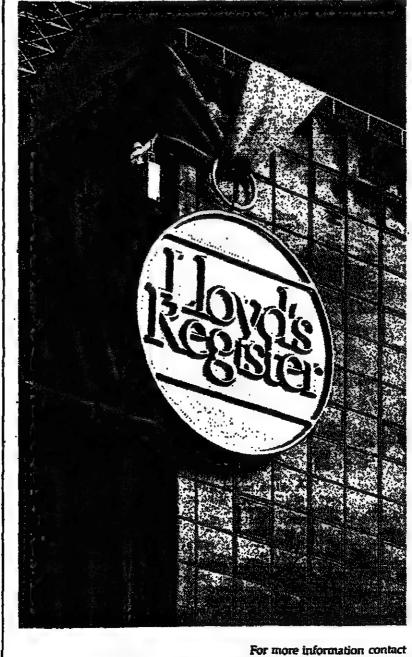
This is made more severe by This is made more severe by the added impediment of Mone-tary Compensatory Amounts which currently give an added advantage to the Danes and Dutch importing pigment to Dutch importing pigmeat to this country of about 7.8 pence per kilogram, and an export tax on pigment leaving this country of the same amount. 1 wonder why Mr Richard-

son and other pig producers are not using the pigmeat futures market to a greater extent. Today's prices obtainable on the futures, based on cash settlement of the Average All Pigs Price for the month of trade are: April-115 pence, June-115 pence, August-113 pence, October-116 pence, November-116 pence. These are selling prices that can be locked in now which I believe can give some stability to this difficult industry.

I would like to see more of my farmer colleagues and our friends in the processing indus-try using this market which I believe would greatly benefit the whole pig industry.

NFU Representative, London Meat Futures Market Baltic Exchange Chambers, 24-28 St Mary Axe, EC3

WE BUILD OUR REPUTATION ON OTHER PEOPLE'S BUILDINGS



Clive Whiteaker, Lloyd's Register Industrial Division, Lloyd's Register House, 29 Wellesley Road, Croydon CRO 2AJ. Telephone 01-681 4040. Telex 28636 LRIS CR G. Fax 01-681 6814. Lloyd's Register Industrial Division is part of Lloyd's Register of Shipping.

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FINANCIAL TIMES

Wednesday February 14 1990

Balfour Beatty

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Thatcher defiant about easing sanctions on S Africa

By Philip Stephens, Political Editor, in London

MRS Margaret Thatcher, the British Prime Minister, yester-day issued a defiant defence of her decision to sase sanctions igainst South Africa but combined it with a formal hovita-tion to Mr Nelson Mandela, the freed African National Congress (ANC) leader, to visit Britain.

During some of the rowdlest scenes in Parliament in recent years, she said sanctions against the Pretoria regime had achieved nothing and she offered fulsome praise of the reforms announced by Presi-dent F. W. de Klark.

Office on the stance she has taken in recent months on a range of foreign policy issues ns well as on her regarden to events in South Africa. There was also evidence of

concern among Tory MPs that the Prime Minister's determined stance on sanctions, on German unification, and on the need for a cautious approach to disarmament had left her out of step with

Retiain's allies.

Clearly angered at taunts from the Labour Party that her views on South Africa had isolated her in the interna-

Thatcher at one stage accused Mr Neil Kinnock of taking "instructions from the ANC." A few moments later she was forced to withdraw the remark - the only occasion that MPs could remember dur-

ing her 10 years as Prime Minister that she has been obliged in effect to apologise for a statement made in Parliament.

Mr. Thatcher continued to insist, however, that the armed struggle and comprehensive sanctions advocated hensiye sanctions advocated by the ANC — and said to be supported by Labour — were hindering rather than helping the process of reform in South

Her stance prompted Mr Linnock to call for a full-scale parliamentary debate on South Africa today in which Labour hopes to exploit the Prime Minister's lone stance on the

Yesterday she announced that Mr Charles Haughey, the Irish Prime Minister and President of the European Council, had agreed that EC foreign ministers discuss next week whether there should be any joint move to lift sanctions. There is little expectation in Whitehall, however, that Britain will secure an agree-

tions to be maintained and earlier this week President George Bush said that it would be precipitate for the US to take any action now. Mrs Thatcher apparently sees no contradiction in her condemnation of Mr Mandela's

continued support for armed struggle and the formal invita-tion to him for talks in Lon-don, issued yesterday.

At one stage during yester-day's parliamentary exchanges she suggested that the ANC leader's comments on violence had been "ritual" rather than

Her comments came amid Foreign policy gamble, Page ment from its partners. Mr Mandely has called for many Soweto salutes Mandela's triumphal return

By Patti Waldmeir and Michael Holman in Soweto

THE LARGEST political gathering ever held in South Africa yesterday saluted Mr Nelson Mandela, the African nationalist leader, on his triumphal return to his home city of Soweto after 27 years

A roar of joy went up from the crowd of more than 100,000 people when Mr Mandela entered the huge soccer stadium,packed with supporters who craned their necks for a glimpse of the man who has inspired millions in the

man who has inspired millions in the struggle against apartheid.

Most of the crowd had never seen the upright figure who slowly circled the stadium in procession with other elderly ANC leaders who had shared his prison. Many of those who raised their lists in the traditional liberathm saints had not been here when Mr. Mandels had not been born when Mr Mandela

In a measured and thoughful speech, which received a subdued response from the crowd, Mr Mandela addressed a range of constituencies, from radical township youths to those responsible for political violence in Natal, as well as again offering reassurance to white South Afrana.

The 71-year-old leader often adopted an almost headmasterly tone to address the predominantly youthful audience, stressing again and again the need for disciplined protest. He urged the students of Soweto — whose education has been severely disrupted by frequent class boycotts since the mid-1980s — to return to school. "Go back to your schools, factories, mines and communities," he said.

References to grassroots issues such

References to grassroots issues such as housing, inflation and unemploy-ment raised large cheers. "Our people need proper housing, not shettos like Soweto," he said, to a roor of applause.

African business community deeply dis-turbed by his renewed commitment to a policy of nationalisation. "The ANC is just as committed to economic growth



Nelson Mandela is welcomed by supporters at a football stadium near Soweto yesterday,

and productivity as the present employers claim to be," he said.

Mr Mandela urged his supporters to minister charged with negotiating a reach out to white South Africans, sayconduct and arguments that a South Africa without apartheid would be a better home for all."

Delivering the Government's first for-

pronouncements, Mr Gerrit Viljoen, the minister charged with negotiating a new constitution with blacks, welcomed Mr Mandela's references to the the ANC leader for his continued sup-port for armed struggle.

Mr Mandela also attempted to case

tensions in Natal, where more than 50 people have died in recent days, by appealing to local government leaders "to take decisive steps... to end the scourge on our proud history."

Natal violence; Cricket tour cut short, Page 4; Bush see political mileage, Page 5

Hong Kong | Strength of US car market police use tear gas By Anthony Harris in Washington to halt riot

By Michael Marray in Hong Kong

HONG KONG police fired tear gas to break up a three-hour riot at a detention camp for Vietnamese boat people last night as rival gangs fought a battle with home-made weap-ons. Seven people were injured. Police reinforcements - including members of the crack tactical unit-sent in after the

fighting began at about 8pm, took until 10.30 pm to bring the situation under control.

Twelve rounds of tear gas were fired during the disturbance at the Whitehead camp, which holds about 20,000 of Hong Kong's 56,000 boat people near Shatin in the New Territo-

Several hundred Vietnamese from rival factions originating from Haiphong and Quang Ninh province were involved. They have a history of camp

rivalry. Tension is running high in

the closed camps and gang violence is common. Morale sank lower in Decamber when riot police and prison guards removed the first 51 boat people to be forcibly repa-triated back to Vietnam. The UK Government has since been negotiating, so far unsuccessfully, with Hanoi for regular forcible repatriations of boat people screened and rejected as refugees, many of whom are packed into Whitehead, one of the largest purpose-built

boosts January retail sales

US RETAIL SALES rose 1.6 per cent in January, an unexpect-edly strong performance, after falling by a revised 0.2 per cent in December, the Department of Commerce announced.

This was the strongest one-month performance since Octo-ber 1988. Financial market economists had projected a rise of about 1.1 per cent.

Most of the increase – and

virtually all the under-estima-tion in the markets - reflected the strong performance of the car market, where sales recovered by 5.4 per cent from the depressed December level after the industry launched a new campaign of incentives.

There was also a strong rise in seasonally adjusted sales of building materials, reflecting the mild weather conditions in Rising prices, on the other

hand, were the main reason for strong petrol and service station sales, up 2.5 per cent over December and just under 7 per cent over the past three

These pressures on income may help to explain a weak performance in discretionary items, with clothing sales down 0.7 per cent, and spend-ing on eating and drinking up only by a 0.2 per cent monthly average over the last three months, though well up from the depressed December figure. Consumer spending is the the US economy, accounting for about two-thirds of Gross National Product that measures total economic activity. But consumer incomes are coming under pressure.

Last Friday, the Labor Department reported the January Producer Price Index rose a steep 1.8 per cent as cold weather in December sent food and energy prices soaring at the wholesale level.

Economists have cantioned that higher food and energy price rises may squeeze con-sumer buying power, forcing retailers who want to boost sales to continue price dis-counting even if that cuts curprincipal engine for growth in porate profits.

Soviet troops attempt to quell riots

Continued from Page 1

day began attacking all non-Tadzhik minority groups, who make up 40 per cent of the republic's 5m citizens. Some reports said mobs roamed the streets chanting anti-Armenian and anti-Russian slogans and "beating up all European-looking people."

Western diplomats said that rumours of privileged treat-ment for Armenian refugees had provided the spark for unrest which has been brewing for a year over the region's acute economic problems. "It was just the fat on the fire," one said.

Tadzhikistan and Kirghizia are among the poorest Soviet

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WORLD WEATHER

republics, suffering acute shortages of housing, food and consumer goods. Unemployment in the area is also higher than the Soviet average, with 250,000 estimated officially to be out of work in Tadzhikistan

The Communist Party leaders in Dushanbe called an emergency meeting last night after protesters issued a fivepoint ultimatum, including demands for the sacking of all the republic's party and state officials and the return of all proceeds from cotton grown in

Although neither republic has a popular political movement, such as has emerged in Ukraine, the Baltics, Azerbai-jan and other republics, both have seen a strong recent emergence of nationalist feel-

In Tadzhikistan, opposition groups have rallied behind the Writers' Union and the Tadzhik Language Fund, both of which campaigned successfully last year for the Tadzhik language (which is close to Persian) to become the republic's official tongue.

The republics are also predominantly Sunni Moslem,

although analysts suggest that the recent revival of the reli-gion is linked more to a revived sense of national heritage than to an upsurge in fun-

There is also a history of ten-sion between Tadzhikistan and Kirghizia, which has tended to flare over largely economic dis-

Drexel considers filing

Continued from Page 1

London is the manager of a secret equity stake in Drexel A Drexel official, who asked not to be named, confirmed that the Brussels-based Groupe Lambert, which nominally owns 46 per cent of Drexel, had previously sold a part of that holding to the Kuwaitis.

The Belgian stock market feli sharply as Groupe Lam-bert's share price plunged. The

company said it intended to engage in an orderly liquidation of securities positions held by its primary government bond dealer. The US Federal Reserve said yesterday Drexel was still designated a primary dealer. The Treasury bond market was quoted higher at midsession yesterday amid reports that the Fed was in the market buying Treasury bonds from Drezel

Moscow plans joint venture 'Tecnopark'

By John Wyles in Rome

MOSCOW'S first "Tecnopark" development of offices, residen-tial accommodation, a hotel and laboratories for the commercial development of Soviet technology is to be built and operated by a joint venture involving three Italian compa-

The full development, estimated to cost about L650hn (\$523m), is expected to cover 250,000 sq metres and is aimed at foreign companies anxious to open up in Moscow. The Soviet Government will

own 80 per cent of the joint venture and its capital commitment will be provided from land already set aside for the property development.

The main Italian shareholder will be Greenette Contravioni

will be Grassetto Costruzioni, part of the group of companies of the Sicilian constructor, Mr

Salvatore Ligresti. Small minority stakes will be taken by Ismes, the research company owned by Enel, the Italian state electricity pro-ducer, and IriTech, the Iri's group's venture capital company. The project will be financed by western banks. Mr Duccio Valori, IriTech's

managing director, said yester-day that the non-property objective of the joint venture was to provide a meeting place between western companies and Soviet technology.

The plan is to provide the physical and scientific frame-work for developing prototypes based on Soviet technology which would be commercially exploitable in the west. Precisely what is not yet clear, but a number of inventions are under consideration.

Rents of the residential and office facilities will be paid in hard currency. The "Tecnopark" will also be equipped with a conference centre and lecture halls, and the aim is to provide telecommunications of an international standard.

The Soviet-Italian project aims to put flesh on an initiative launched by Iri last autumn when Soviet scientists presented inventions and proposals for commercial developments to western companies at a seminar in Genoa.

The issues Drexel leaves behind

It is too early to judge where Drexel Burnham's liquidity cri-sis ranks in the history of US financial disasters, but It would be wrong to underesti-mate its significance. True, Drexel is important in only one market niche. The liquidation of its US government securities positions or its suspension of positions or its suspension of market making in Nasdaq stocks is not going to damage the liquidity of these markets. Similarly, the sums of money at immediate risk do not compare with what was at stake in the run on Continental Illinois or even some of the hig Texas banks.

Nevertheless, the soutty

Nevertheless, the equity markets' initial muted reaction to Drexel's difficulties is surprising. It may be that the problems have been dis-counted. But that would be assuming a remarkable pre-science on the markets' behalf. science on the markets behalf.

For a start, it is most unusual
for a major Wall Street firm to
have to be rescued; and it is far
from clear how far the ripples
of the Dramal affair extend.

It has to be assumed that the authorities would not permit Drexel's problems to lead to any hiccups in Wall Street's payments and settlements systems. However, Drexel's problems confirm that the marproblems confirm that the market for new US junk bond issues is dead. This will make it far harder for highly leveraged companies to refinance themselves and means that the leveraged bids which helped fuel the market's rise in 1988/88 are a thing of the past. If companies start replacing their junk with equity it will be no bad thing. But distress equity bad thing. But distress equity offerings will not help the mar-bat's confidence either.

Germany

It starts to look as if the real bogsyman is not currency union so much as anxiety about what comes after this year's two elections. If so, it would be wise not to put too much faith in yesterday's combination of a pause in the slump in German bond prices, albeit at yields of 8.5 per cent, and an uptick in UK gilts. If the international bond

markets like the signs that Mr Kohl and Mr Modrow are getting the process of monetary union under control, they may have missed the point: namely, international implications by 1991 of a free-spending, possi-bly SPD-run Germany with interest rates maybe 200 basis points higher than they are now and the D-Mark under

Reuters Share price relative to the FT-A All-Share Index

1987 88 89 90 Politically ultra-sensitive though it is, currency union could be a red herring. If the Osimark were converted at say 3 to the D-Mark, German money supply could grow 10 per cent this year, the highest rate for a decade, but not beyond the Bundesbank's powers of containment, and possibly a short-term phenomenon.

bly a short-term phenomenon. The real worry would be the likelihood of much higher levels of German public spending, maybe an extra DM125bn annually, not to mention the possibility of the Bundesbank osing some authority.

Hence the importance of the German elections. If it looks as though the first chancellor of a united Germany could be the SPD's Mr Lafontaine, the markets will have something new to worry about unless they can somehow decouple themse from Germany's destiny.

John Mowlem

What with the long wait for profits at the City airport and the contractors' problems at Eurotunnel, it must be doubtful whether the expected infrastructure boom of the 1990s will inspire quite so much direct private sector invest-ment. The gains to government from infrastructure spending, in terms of economic efficiency and enhanced tax revenues, may be hard to calculate. But such problems are nothing compared with the risks to companies of projects with open-ended costs and more than normally uncertain reve-

In Mowlem's case, the City airport has turned from an exciting corporate venture into a millstone round its neck. The group's shares have declined by 20 per cent relative to its sector since December 1987, shortly after the airport opened. So yesterday's £33m write-offs, which allow for some £7m of future operating

osses, seem aimed at drawing investors' attention to the rest of the business. A favourable public inquiry on the airport's runway extension could then be seen as pure bonus. dation5

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The sheer strength of Reuters' profits performance must be rather galling to the hard-pressed financial institutions who pay its bills. In the two years since the stock market crash its earnings have grown at an average rate of 29.5 per cent. Wall Street has always been far more enthusiastic about Reuters than London, and so far this faith has been than the period of the country of the country of the crash of the country of the count amply rewarded. A 44 per cent rise in the 1989 dividend is a remarkably confident gesture; if it can continue to grow its earnings by over 20 per cent per annum it deserves its cur-

rent multiple of 19.

The 18 per cent rise in 1989 revenues is only half the rate of the early 1980s. But as long squeeze its cost base as it did last year its margins will contime to rise; and cash is build-ing up. Of course, someone could mount an effective chal-lenge to its near-monopoly or it might squander its cash on a silly acquisition. For the moment, neither seems much of a risk.

ECC

Yesterday's profits warning from English China Clays is a reminder of the risks posed by the forthcoming results season. The shares had underperformed the market by a third in the past 15 months: but the prospect of reduced earnings this year knocked off seven per

It is hard not to share the market's irritation with a company whose newspaper ads yesterday morning proclaimed "we've never been in better shape". It is no surprise that housebuilding should be strug-gling: Bryant, ECC's 29.9 per cent associate, produced halved interim profits yesterday. But it appears the com-pany's expectations for the profits - have gone in two months from three per cent volume growth to zero, More generally, ECC still gives the impression of complacency, blessed with cash flow from old-style market dominance and short of ideas on what to do with it. Rather like BAT, in fact: but from a predatory viewpoint the shares are still not cheap, on a prospective multiple of 11 at 386p.



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Foundations of bond market undermined

The crumbling of the Berlin-Wall has undermined the foundations of another edifice, the West German bond market. Since the collapse of the Wall, prices have been in almost continuous retreat; the yields on 10-year West German government bonds have risen from about 7.2 per cent to over 8.5 per cent. The implica-tions of this extraordinary downgrading of the D-Mark bond market are likely to be felt throughout western Europe, report Stephen Fidler and Simon Holberton. Page 25

Preparing for a chance landing



Mowiem, the UK construction group, is taking no chances in its bid to develop the full profitability of London City Airport, of which it holds 90 per cent. The group yesterday made an exceptional provision of £33m (\$55.7m) in its exceptional provision of £33m (\$55.7m) in its 1989 accounts to offset delays in its plans for the airport. The move follows a government decision to order a public inquiry into an extension for the airport runway. Page 28

Clash of Gallie wills

France's bank card consortium, fresh from a fierce row with its domestic competition authorities last year, is heading for a new argument with American Express, the US finan cial services group. The Groupement des Carles Bancaires has refused to authorise American Express' outline agreement with Société Générale, the fourth-largest French retail bank, to allow each partner's cardholders reciprocal access to the other group's cash

The sky's the limit



The Oalo bourse shows no signs of abandoning its buil run. One of the world's top performers in 1989, it has continued to hit new highs this year, litted by higher oil prices, the domestic tex situation and a less costrictive investment climate. By January 11 climbed by 7.7 per cent. to a record 573.68 and this month it pushed

through the 600 barrier.

Analysis believe it may yet hit 700, writes

The better way to start your day Mr Hayden Bradshaw of Nestle knows a good oup of coffee when he's given one. As chief taster for the company, which has 50 per cent of the UK's instant coffee market, he supervises a team of four in sampling all the product coming into the country for Nestle. Consumers now prefer top-quality arabica varieties to the coarser robustes, reports David Blackwell.

Market Statistics

Base lending rates

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Chief price changes yesterday

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Fourth-quarter loss at Chrysler

PINANCIAL TIMES 1990

Detroit car maker, has reported a \$664m fourth-quarter loss, its first quarterly deficit since 1962. For the full year, profits were much lower than analysts had

The company, which is struggling with poor markets and high restructuring costs, has an urgent need for each to invest in its core automotive business. This was underscored yesterday when it announced the sale of Guifstream, a maker of executive jets, for \$825m. The purchaser is Forstmann Little, a New York

NATWEST Investment Bank

yesterday announced it had found a buyer for its 9.16 per cent stake in Blue Arrow, the employ-

ment group. The price will result in a net loss of £53.3m (\$90.6m) on

the stake it has held since the

company's disastrous rights issue two and a half years ago. The bank, together with six of

its former executives and five

other City figures, faces criminal charges over its involvement

in hiding the failure of the

Record 31%

REUTERS yesterday reported a record 31.4 per cent increase in pre-tax profits in the year to

cent to £1.187bn (\$2.018bn) and earnings per share rose by 36.1 per cent to 45.6p.
Mr Glen Renfrew, managing

director and chief executive, said the increase reflected record

operating margins and a sharp rise in interest income, backed

by continued revenue growth in

Foreign exchange business

continued to prosper and equi-ties markets were generally less nervous than in 1968, Mr Ren-

frew said. Full report, Page 28, Lex, Page 20

core products.

cember 31, writes Andrew Bol-

profits rise

current quarter.
He said January had been a difficult month because of high rebates to try to stimulate demand for cars and temporary plant closings to bring invento-ries down to more normal levels.

months, thanks in part to restructuring steps taken last

Continuing operations ran up a loss of \$667m in the fourth quar-

CHRYSLER, the third largest Allen Paulson, Gulfstream's be profitable for the current 12 pares with profits of \$415m a year earlier. For the full year, profits from operations were \$315m. against \$1bn.

. Full-year net profits were \$359m, or \$1.55 a share, including a third-quarter after-tax gain of \$309m, or \$1.33, from Chrysler's sale of some of its stake in Missa-

bishi Motors of Japan.
Sales fell sharply in the fourth
quarter from \$9.29bn to \$7.93bn.
They edged ahead for the full
year to \$24.92bn (\$34.15bn). During the 12 months, factory shipments of care and trucks fall 7.2 ments of cars and trucks, fell 7.2 per cent from 2.57m to 2.38m.



agreed to apply for registration of the shares in the US (something only it is able to do). County will meet the cost of registration, along with % per cent stamp duty on the proceeds

Mr Mitchell Fromstein, Blue Arrow chairman, said the company had been made aware of the sale, although there was

no question of its approval being

sought, UBS also faces criminal

Integrated's original business: was promoting property tax shel-ters, but changes in tax laws in the mid-1980s forced it to diver-

English China warns on profits

By Clare Pearson in London

LORD Chilver, chairman of English China Clays, one of the world's largest suppliers of min-erals to the paper industry, yes-terday warned that worsening international economic condi-tions as well as higher UK inter-est rates were severely affecting the company's overall perfor-

mance.
Shares in ECC tumbled 28p to 386p yesterday in dismay at Lord Chilver's statement, one of the gloomlest assessments of the current trading outlook to have been issued by a leading com-pany in recent months.

pany in recent months.

ECC's fortunes are predominantly linked with those of the paper industry through its position as a supplier of china clay and, to a lesser extent, calcium carbonate, used for paper coating. It is also involved in quarrying and construction.

ing and construction.
"While we expected that group profits for the six months to March 31 would be below the good result for the equivalent period [in] 1989, market fac-tors... are making the current six months a much more difficult period than originally antici-

Lord Chilver was pessimistic, too, about the outlook for the full year. "The results for the 12 months to September 30, 1990 will be adversely affected by market conditions, especially continuing high interest rates," he said. Record earnings per share of 44.91p for the last fullyear would be a "challenging target."

the statement, promptly reduced profits forecasts for the full year from about £160m (\$270m) to as hitle as £135m. This compares with £151m in the financial year to September 1989.

Lord Chilver told shareholders Lord Chilver told shareholders at the annual meeting yesterday that an expected modest increase in demand for industrial minerals, for which ECC had prepared itself, had failed to materialise during the last three months of calendar 1989.

During the quarter, ECC's sales ran at about the same level as the comparable period, producing "satisfactory" profitability given the market background.

A general weakening in

sify. Integrated Resources built up a network of independent financial planners and consultants to sell a insurance to money management

At its height the network num-bered 4,500 people, ranking it sixth in the US after hig broker-age houses such as Merrill A general weakening in demand in UK-based construction operations - exacerbated by delays in a big road-building programme – affected both concrete It grew rapidly with debt fin-ancing raised by Drexel. But many of the products it sold were

products and quarrying.

Lord Chilver's statement came
on the day the company had
placed a newspaper advertisement bearing the slogan: "We've never been in better shape." Lex, Page 20

Commenting on the results, Mr Lee Iacocca, Chrysler's normally ebullient chairman who pulled the car company back from the brink of bankruptcy at the begin-ning of the decade said: "I'm not going to speculate" whether Chrysler will be profitable in the

The sale of the 66.8m shares, to an unnamed US institutional investor, for \$96.57m is due to be completed today. This is roughly

86p a share, compared with the 166p rights issue price at which

the bank acquired its stake
hence the £53.3m loss.
The true cost of the Blue
Arrow affair is considerably

higher than this. County Nat-West, the NWIB subsidiary

involved in the deal, paid £30m to UBS Phillips & Drew at the end of 1987 under an indemnity

REUTERS

1000

year. Chrysler reported a fourth quarter after-tax loss of \$664m, or \$2.90 a share, after a \$577m, or \$2.48 a share, restructuring charge. A year earlier it earned net profits of \$433m, or \$1.85 a share. The charge included the cost of closing a St Louis assembly plant, dropping certain car models, writing off some long-term assets and cutting its white-collar workforce.

NatWest sells Blue Arrow stake at £53m loss

arrangement by which P&D took on a block of Blue Arrow shares. On top of this £83.3m are the costs of holding the Blue Arrow shares for such a long period and the damage done to the bank's

business by the affair.
This dismal picture is softened partly by two things: the hank hedged its Bine Arrow holding by buying FTSE 100 Index put options, which were showing a profit of £19m at the end of 1987. It also made £11.5m out of advising Blue Arrow on its rights

about 10p lower than the market price at the end of the bank's last half-year, when it reported a £6m profit on the Blue Arrow holding. This suggests that it will now need to report a further \$6.6m

Neither County nor Blue Arrow would disclose the iden-tity of the purchaser. It is under-stood to be friendly to Blue Arrow, since the company has

Integrated Resources files for Chapter 11

By Roderick Oram in New York

floundaring financial services group whose rapid growth had been funded by a flimsy capital structure created by Drexel Burn-ham Lambert, the securities have elled for protection of the house, filed for protection of the US bankruptcy courts yesterday. Its long-expected request for Chapter 11 status was triggered by the refusal of some of its creditors to participate in a debt restructuring. Its liabilities are some \$1.6bn, well in excess of its assets which it values at around

Integrated owes Drezel \$41.Im, mainly for some commercial paper Drezel was unable to sall to investors last June, a failure that precipitated the markets' loss of faith in Integrated.
Other larger Integrated creditors listed in court yesterday

tors could derail Integrated's debt renegotiation and necessitate the bankruptcy filing, Mr Weinroth

Bank of New Jersey has recently won a court judgment against it. Under court protection integrated hopes to pursue a reorganisation plan it put to creditors three weeks ago. "I don't want to say liquidation," Mr Weimroth said, but he admitted that only a few operations would be left once integrated had finished selling off the bulk of its businesses. INTEGRATED Resources, the

included Manufacturers Hanover Trust (\$55.8m), Chemical Banking (\$51.6m) and Honkgkong Shang-hai Banking (\$45m). "We are disappointed by the fact that a few recalcitrant credi-

In particular, First Fidelity

This ennouncement appears as a matter of record only

going to generate only long-term profits for the company. It fre-quently booked them as current

Pembridge Investments Ltd

has acquired

DRG plc

The undersigned initiated the transaction

Dawnay, Day & Co., Ltd

February 1990

Andrew Bolger on US interest in the company's shares with Merrill Lynch in London, is more critical of the City, con-trasting the short-term outlook of wnership of Reuters, the world's largest financial information and news company, seems poised to cross

news on Wall Street

Reuters seen as good

There is no takeover threat to the London-based organisation. A me Longon-based organisation. A founder's share guarantees that "Reuters shall at no time pass into the hands of any interest, group or faction," and no individual or group can own more than 15 per cent of the equity.

It is just that Baytons which note British institutions will see control crossing the Atlantic." However, the fundamental rea-

It is just that Reuters, which prides itself on the instantaneous transmission of economic data round the world, seems to have found a readier audience for news of its own financial performance on Wall Street than in the City of London, which is only a short stroll from the group's Fleet Street headquarters. Shares in Reuters closed at

1040p yesterday, after it reported a 31.4 per cent increase in pre-tax profits for the year to December 31, 1989. The share price compares with 596p a year ago, an increase of 44 per cent. It has been buoyed in the last year by the continuing demand from US investors for Reuters shares in the form of American Depositary Receipts. The company says that 45.9 per cent of its equity is now in ADRs and it has identified US interests in London-quoted

shares representing 1.8 per cent of its capital.

Analysis estimate that recently 1 per cent of Reuters equity has been moving into ADRs every month, so it may only be a mat-ter of weeks before one of the most successful British companies of the 1980s has the bulk of its shares on Wall Street. Reuters, is taking a very

relaxed view of the trend. A spokesman for the company said: "We regard ourselves as an international company - not British, not US. By the nature of our business we must be so. More than 60 per cent of our staff is overseas." He conceded that cultural factors may have been at work: "Any price/earning ratio over 20 is a bit high for the British. The Americans are more interested in growth. British fund managers tend to be more pessimis-tic - they are more interested in what can go wrong than what can go right."

the London fund managers with their US counterparts, who are more prepared to take a five-year view. He said: "If they don't take

son for the growing US enthusi-asm for Reuters seems to be that, unlike the British investor, Wall Street has a sector into which it can place Reuters - and the comparison has done the British com-pany no harm at all.

Since its flotation in 1984, Reuters has seen its pre-tax profits grow from £74m (\$119m), on turnover of £313m, to yesterday's reported pre-tax profits of £283m, on turnover of £1.87bn.

Reuters shares have traditionally been highly rated on the London market. However, the company has always been seen as one of a kind and there have been periodic doubts about its capacity to maintain growth as the electronic market place cov-ers the globe and in the face of stock market crashes and uncer-

The picture was also confused by Reuters' complicated struc-ture of unlisted "A" and trade-able "B" shares, which was resolved only last year by allow-ing an orderly conversion of "A" shares into a single class of new ordinary shares. The threat that "A" shareholders would suddenly dump large numbers of shares on to the market had long overshad-owed the share price.

Tiewed from the other side of the Atlantic, Reuters is not such a strange fish. American investors compared it with information companies such as Dow Jones, McGraw Hill and Dun & Brad Street. At the end of 1988, they all sat on higher p/e ratios than Reuters, even though most analysts agree that they are

Last year saw net income at Dow Jones fall 4.6 per cent, without non-recurring gains from sales of investments. The com-pany blamed weak financial advertising at The Wall Street Journal and Barron's Magazine, an go right." as well as start-up costs associ-Mr Neil Barton, an analyst ated with its foreign-exchange

trading service at Telerate, which became fully-owned by Dow Jones on January 3. At McGraw Hill, net profits declined by 742 per cent last year. In December the publishing and information group

and information group announced 1,000 redundancies, shut down its General Books division and made writedowns at its Data Services economic forecast-

Data Services economic forecasting division.

No doubt the London analysts
who considered Reuters shares
overpriced last year will be even
more sceptical of its ability to
continue to increase pre-tax profits and earnings at more than 20
per cent a year. They are likely per cent a year. They are likely to point to the possible maturity of the market and fears that cheaper technology will chal-lenge Reuters' dominant position.

However, any company that has already linked both Albania and Outer Mongolia to its global trading network must feel bullish about prospects as economic liberalisation sweeps eastern Europe and the Soviet Union. Indeed, it has equipped an 80-screen dealing

Reuters is if anything more confident about the outlook in the Far East and Pacific Rim. Morgan Stanley has recently started trading foreign currencies in Tokyo and newly-industria-lised countries such as Korea offer the juiciest prospects of all. Given such a commitment to

overseas investors, Reuters can scarcely object to recent trends in its equity ownership, although a company spokesman hoted that there had been signs of renewed UK institutional interest in the last few weeks," It would be ironic if the com-

pany, a British success story which has come to embody the globalisation of world equities, was to enter the 1990s by bidding farewell to control by Londonregistered investors.

But it would not be a matter for concern - at least as far as Reuters is concerned. The company said: "We would just like a broad-based shareholding which reflects our customer base. We are interested in obtaining a share listing in Tokyo and would also like a broader share base in

INTERNATIONAL COMPANIES AND FINANCE

Buyer shuns junk bonds in \$825m Gulfstream deal

By Roderick Oram in New York

CHRYSLER has sold Gulfstream Aerospace, the US maker of executive lets, for \$825m to Forstmann Little, a New York buy-out specialist, and Mr Allen Paulson, Gulfstream's chief executive.

No junk bond financing is involved in the deal, which is the first large US buy-out since last autumn. Takeover activity has been severely curtailed since then by turnoil in the junk bond market caused by Drexel Burnham Lambert's financial difficulties and other

Mr Ted Forstmann, a general partner of the buy-out firm and a harsh critic of junk bonds, said half the money for the Gulfstream acquisition would come from subordinated debt and equity put up by his firm and Mr Paulson. The rest would be bank financing to be arranged by Manufacturers **Hanover Trust**

Forstmann Little has a sub ordinated debt fund of about \$2bn underwritten by some 18 institutions, most of them among the largest US corpo-

rate pension funds.
Unburdened by high interest payments on junk bonds, Gulf-stream would be able to invest in further development of its Gulfstream IV aircraft and other projects, Mr Paulson said, It is, for example, work-ing with Sukhol of the Soviet Union on designs for a super-sonic business jet. Chrysler said it would use

the proceeds from the sale for general corporate purposes.
The third largest Detroit car
maker is investing heavily in
new car models and suffering

new car models and surrering from weakening sales. In December Chrysler had put up for sale its Chrysler Technologies subsidiary, com-prising Gulfstream and two other businesses, because of the financial need to concen-trate on its car activities. trate on its car activities.
It said yesterday it was still

seeking buyers for the other businesses. Electrospace Systems, an electronics maker,

Japanese agency eyes stake in US **Omnicom** and Airborne Systems, a speci-alised aerospace subcontractor. Chrysler had paid \$637m for Gulfstream in 1985, and \$370m

By Alice Revelhorn

ASATSU, one of the largest Japanese advertising agencies, is seeking a significant minor-ity shareholding in Omnicom, the US marketing group that owns BEDO, the international

owns hallo, the international advertising agency.

Several Japanese advertis-ing agencies have amounced plans to gent up their interna-tional expansion. A move by Assisu would represent the first time that a Japanese agency had acquired a sub-stantial stake in a western

ounterpart.
Asatsu, the only publicly quoted Japanese advertising agency, has had a trading agreement with BBDO since 1984. The two agencies them negotiated a cross-shareholding arrangement, whereby BBDO took a 10 per cent stake in the Japanese company and Assisu had a small holding in the US agency.

Two years ago BBDO merged with two other US agencies - Doyle Dane and Bernhach, and Needham and Harper - to form Omnicom, now the world's fifth largest marketing services group. Assist emerged with 1.5 per cent of Omnicons.

cent of Omnicone.
It has held on to its stake but Omnicom has continued the process begun by BEDO of selling its shares in Asstsu.
Omnicom is helieved to have sold the last of its Asstsu.

hares last autumn. Mr Masso Inagaki, Assiss president, said it wanted to increase its holding in Omnicum to strengthen the reintimahip with BBOO. He would not specify how large a stake specify how large a stake Assist intended to take, but he stressed that it did not intend to acquire a controlling interest, nor did it envisage exercising managerial control.

The advertising industry, he said, was a business based on "people and social structures."

a Japanese company to take over a US agency.

Assist and Omnicom are understood to have talked about the issue six months ago, and the Japanese side hopes for an outcome by early summer. Asatsu intends to

after the US - with billings of Y112.4bn (\$775m) last year. Less than 1 per cent came from outside Japan.

• In New York yesterday, Mr Fred Meyer, chief financial

officer of Omnicom, played down the likelihood of an early deal, Our Financial Staff

"While we have had some expression of interest on the part of Asatsu to acquire more shares in Omnicom, there are presently no discussions," he said. He described the operating relationship between the two as "friendly and productive."

Adsteam unveils shift in strategy

By Chris Sherwell in Sydney

MR JOHN SPALVINS, who heads Australia's Adelaide Steamship conglomerate, in corporate strategy yesterday when he unveiled higher interim profits earlier than

The share price jumped in response to the moves, which were clearly aimed at countering pessimism about Adsteam's finances following critical analyses from Austra-lian Ratings, the local credit rating agency, and Baring

Mr Spalvins' action also superseded last week's unusual statement about Adsteam's first-half performance, which only reassured shareholders temporarily because of the fall in confidence which has caught most entrepreneurial companies following the troubles of Bond Corporation, Qin-tex, Hooker, Westmex and the

Goldberg group.

Adsteam's basic operating businesses cover food, retailing, wine, building supplies, towage, manufacturing, timber, shipping and coal. They are controlled through a network of wholly or part-owned companies, including the listed David Jones, Tooth, Petersville Sleigh and National Consolidated.

But investors have been attracted to the group as much by Mr Spalvins' aggressive

investment activities as its underlying earnings potential. In the past two years the group has moved heavily into Austra-lian banks and UK insurance companies, and has made indi-

companies, and has made indi-vidual plays for industrial Equity and Bell Resources. In his statement yesterday, Mr Spalvins said: "We intend to reduce partially our invest-ment portfolio in the next few months and concentrate on development. developing the businesses within our associates." Any new acquisitions "will be to columne business activities already in place." He confirmed that Adsteam

had sold all its UK insurance investments before the end of December, realising a profit on its Commercial Union holding but making unspecified losses on Royal Insurance.

Begarding Bell Resources, part of the troubled Bond empire, Mr Spalvins confirmed that Adsteam had made a sec-ond A\$30m (US\$23m) provision on top of the A\$30m last year for losses on its 20 per cent holding, and further provisions would be made if necessary. But he insisted that losses

from Bell Resources would not be material because of substantial unrealised profits on Adsteam's shareholdings in Australia's big three privats banks and because of the group's overall size, with net tangible assets of A\$1.56bn.



John Spalvins: Adsteam will continue to trade profitably

rowings, Mr Spalvins said the maximum debt attributable to Adsteam itself was A\$1.04bn which made its gearing conservative. He said it was misleading to attribute the liability of independent associates to

As an example of the new strategy, Mr Spalvins cited the recent A\$70m acquisition of the Lindemans wine busine by Tooth's Penfolds wine subsidiary, to create Australia's largest wine maker.
Similarly, he called the acquisition of Industrial

Equity, with food and retailing interests (including Woolworths) to complement exist-

2000 ing businesses, "by far the most significant step taken by Adsteam in recent years." Adsteam reported after-tax profits for the six months to Ma

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June of A\$181.5m, up 21.2 per cent from the corresponding period in the last financial year. Earnings per share dipped 15 per cent to 56.8 cents because of a one-for-four rights issue and a one-for-five bonus

Although sales were down 64 per cent to A\$83m after one operating company was sold and another ceased to be a subsidiary, other revenues more than doubled to A\$460m.

"We see no reason why Adsteam and all its major associates will not continue to trade profitably and produce further good profits in the full year," Mr Spalvins said.

Directors declared an interim fully franked dividend

of 36 cents, but on the increased capital the overall payout is almost 1% times that of last year. The final dividend is expec-

ted to be "at least equal" to the interim dividend. On the stock market,

Adsteam shares jumped 22 cents to A\$5.22, having surged 28 cents on Monday. The shares touched a low of A\$4.60 last week, plummeting from A\$6.30 in a fortnight. Shares in Adsteam's listed associates also rallied strongly.

Goodyear earnings drop 41%

GOODYEAR Tire and Rubber yesterday announced a 41 per cent drop in net profits last year. It said it expected com-petitive conditions in its tyre and general products husi-nesses to impede profits throughout at least the first half of 1990.

The comapny, based in Akron, Ohio, is losing its posi-tion as the world's biggest tyre maker as a result of the acquisition by Groupe Michelin of Univoyal Goodrich. It said it was continuing efforts to reduce manufacturing and operating expenses and improve the efficiency of its production and distribution.

It is doing so against the background of falling sales of vehicles in the US, and production cutbacks by domestic US

Tyre-sector growth is stag-nating at the same time as the six largest tyre makers, which control more than 80 per cent of the world market, are step-

of the world market, are stepping up capacity.
Goodyear, therefore, appears to be facing a prolonged recovery struggle.
It remains weakened by the rebuffing of a hostile takeover attempt by Sir James Goldsmith three years ago, which left the company with nearly 33bn in long-term debts.
Goodyear reported a fall in Goodyear reported a fall in

special items, to \$206.8m, or \$3.58 per share, from \$350.1m, or \$6.11 per share, on turnover up marginally at \$10.87bm from \$10.81bm. Fourth-quarter net earnings

were even more sharply lower, at \$14.7m, or 25 cents a share,

compared with \$56.4m, or 96 cents a share in the 1968 quarter. Fourth-quarter turnover fell alightly to \$2,74bn from

for Electrospace in 1987. Air-borne was a Chrysler start-up.

orne was a chryster start-up.
Mr Paulson, now aged 67,
bought the fledgling Gulfstream company from Grumman, the US aerospace group,
in 1978. It has grown rapidly
since then to become a leading

since then to become a leading maker of executive jets. Based in Savannah, Georgia, the company employs 5,500 workers.

The company's pre-tax profit was about \$120m last year on revenues said to be just above \$10n compared with \$490m four years earlier.

four years earlier. Production of Gulfstream IV

aircraft is running at about 30

a year and the company has a six-month backlog of orders. Present output is in line

with the average for the past 10 years although it climbed to

the mid-30s per year with the first deliveries of the Gulf-stream IV in 1987.

quarter for consolidation of truck tyre capacity and realignment of the company's Canadian operations, partly offset by a gain of \$3.7m in tax benefits from foreign-loss

In the 1988 fourth quarter the company had after-tax charges of \$26.6m from pension settlement and asset reversion,

programme.

The full-year figure also includes a charge of \$105.9m, mainly reflecting a loss on the sale of Goodyear's South Afri-can subsidiary.

ITT lifts income on lower sales

FTT, the US conglomerate with interests ranging from electrical components to financial services, lifted net income in the fourth quarter and the full

The fourth-quarter earnings were stronger than expected and the company's share rose \$1% to \$53% in early trading in New York The group took fourth-ougr-

alsom while sales fell slightly to \$5.1bn from \$5.2bn. Per share earnings were \$1.87, compared with \$1.26, and \$1.79, against \$1.26 diluted. In the year to December 31 the group lifted net income to

\$922m from \$817m on sales ahead to \$20.1bn, against \$19.4bn, Per share earnings rose to \$6.52 from \$5.70 and on a diluted basis to \$8.30, against

\$5.68, ITT said the sales comparisons for the quarter and the year were adversely affected by the divestiture of Communications Services in

US dollar.
The company's businesses had higher 1989 operating earnings, with the exceptions of Electronic Components, ITT Hartford, and ITT Financial.
The Electronic Components business was affected by lower margins and volumes in semiconductors, power systems and worldwide distribution

property and casualty premi-

The company said operating results at FTT Hartford were substantially below 1988, primarily because of the property and casualty industry-wide

downturn and record catastrophe losses of \$133m during the year which were \$33m higher than in 1275.

fourth-quarter charge of \$24m in connection with the settle-

ment of a civil suit.

Catastrophe losses included \$51m (Hurricane Hugo), and \$10m (California earthquake).

The company said results at ITT Financial were "essentially flat for 1989." They were reduced by \$62m due to the reinforcement of the group's charge-off reserves in its consumer portfolio during the third and fourth quarters."

The 1968 results included a fourth marter charge of \$24m

Equity in earnings of Alcatel, the company's joint vencern, which is 37 per cent owned by ITT, rose about 30 per cent during 1989.

The extraordinary items include \$10.9m in the fourth

and an employee separation

"people and social structures." It would not be appropriate for

finance any resulting deal from its own resources.

Asatsu is the fifth biggest agency in Japan — the world's

Warning on start-up cost at Bougainville mine

BOUGAINVILLE Copper, operator of a copper and gold mine in Papus New Guines which has been closed since May by secessionist violence, yesterday admitted that the costs of recommencing operations would be high, while a failure to resume would seriously reduce the value of its assets, writes Chris

Sherwell.
Releasing its results for 1989 the company - 54 per cent-owned by CRA, the Australian resources group - reported an after-tax loss of 2.9m kina (US\$3m) compared with a profit of 108.6m kina in 1988, on revenue of 232m kina, down from 493m-kina. The directors amitted a 1986

dividend, saying it was "inap-propriate," and said the com-pany had won a government deferral of 1989 income tax until operations recommenced special shareholder loans from the Government and CRA Although they reaffirmed their intention to resume

operations once law and order was restored on Bongainville island, they said it was impossible to determine when this might be or the extent of damage to assets which would have occurred while operations were

suspension.
Outgoings until work recommenced would be 10m kins to 20m kins a year, they said, while the costs of reestablishing and training a workforce, restoring facilities and recommissioning. stores and recommissioning plant and equipment were "likely to be considerable."

A decision to recommence next January 1 would incur costs of 75m kins to 100m kins, they said, excluding costs relating to possible damage through vandalism, pilfarage or milibery action. Although it was currently

appropriate to value the com-"major reduction" in value would be necessary if the mine was unable to resume operations successfully.

Pilots' dispute cuts TNT first-half profits by 41%

By Chris Sherwell

AUSTRALIA'S pilots' dispute slashed first-half profits at TNT, but the international land and air transport group says earnings growth will resume in the second half.
Interim results released yesterday showed that the group's

equity-accounted profits after tax for the six months to December plunged 41 per cent to A\$72m (US\$54m), Revenues rose 17 per cent to A\$2.33bn.
A breakdown of the figures revealed that TNT's whollyowned operations managed a

17 per cent increase in operating profit to A\$94.7m. But on an equity-accounted basis this was cut to A\$72m. The disparity was blamed principally on the performance of Ansett Transport Industries,

which is 50 per cent-owned with Mr Rupert Murdoch's News group and runs the domestic sirine Ausett. The group reported A\$11.2m profit as an abnormal gain, reflecting foreign currency fluctuations, and incurred A\$8m in extraordinary losses through closing certain operations. Earnings per share dipped sharply to 12.8 cents from 20.2 cents, but directors declared an unchanged sec-ond-quarter dividend of 3.75 cents, wholly unfranked. TNT said European

operations made a smaller con-

tribution to profit as the costs of setting up its overnight air express service outweighed strong performances from UK and Italian operations. North America operations also suffered a setback. Returns from the US fell, while

TNT Canada made a loss. In South America, TNT Brazil's contribution was affected by currency translations. TNT admitted that the

pllots' dispute, which began in August, had had a "severe impact" on Ansett's profitabilny. But it add ness was now operating with a full complement of flight crew, to "equivalent" pre-dispute schedules.

Pre-tax rises 12% at Singapore supermarket group

COLD STORAGE, the Singapore supermarket and property group which is to be split in two by its controlling shareholders, Yesterday reported a 12.2 per cent rise in pre-tax profits to S\$19.3m (US\$10.4) for the first half to December, writes our Finan-

Sales were 17.8 per cent higher at \$3219.3m. Not profits, which rose to \$\$10.6m from \$\$9.23m, excluded an extraordinary gain of \$\$8.2m. The gain watte, the Australasian food partly reflected proceeds from property sales by Centrepoint Properties, the company's 53 per cent-owned subsidiary, Control of Centrepoint is to

combine. Stripped to its super-market side, Cold Storage will come under the direct control

ments, a joint venture between F&N and Goodman.

Ahead of the proposed deal, which is expected to be com-pleted by June, Cold Storage is maintaining its interim divi-dend of 2.85 cents per share, paid from net earnings of 8.49

cents against 7.42 cents.



Commonwealth of Australia

has offered to purchase any and all of its outstanding

\$135,259,000

9%% Bonds Due August 1, 1996 at a price of \$1,020.14 per \$1,000 principal amount Plus accrued interest to the date of payment

> The offer expires at 5:00 P.M. New York time February 21, 1990, unless extended.

> Questions relating to this offer should be directed to:

Dealer Manager:

Salomon Brothers International Limited

Att: Alan E. Howard (London) 01-721 3225 (Reverse charge)

Att: Robert E. Klernan (New York) (212) 747 7529

Att: Elmer Z. Nekno (Tokyo) 03-589 9408

This announcement is neither an offer to purchase nor a solicitation of an offer to sell these securities. The offer is made only by a letter to the bondholders.

February 14, 1990

announcement is neither an offer to purchase nor a solicitation of an offer to sell these securities. The offer is made only by a letter to the bandholders. In those jurisdictions whose securities laws require the offer to be made or this announcement to be published by a licensed broker or dealer, the offer is being made and this announcement is being published on behalf of the Commanwealth of Australia by Margan Stanley International (a member of The Securities Association) or one or more registered brokers or dealers licensed under the laws of such jurisdictions.



Commonwealth of Australia

has offered to purchase through Morgan Stanley & Co. Incorporated any and all of its outstanding

\$135,455,000

7%% Bonds Due September 15, 1997 at a price of \$934.55 per \$1,000 principal amount plus accrued interest from September 15, 1989 to date of settlement.

The offer expires at 5:00 P.M., New York City time on February 21, 1990, unless extended.

Questions relating to this offer should be directed to:

MORGAN STANLEY & CO.

Attention:

John Robinson Morgan Stanley (London) (01) 872-2880 (collect) Michael F. Trezza

Morgan Stanley (New York)

(212) 296-5333 (collect)

February 14, 1990

Expenditure curbs to ease fall in Noranda earnings

By Robert Gibbens in Montreal

NORANDA, Canada's largest resources group, is cutting cap-ital and exploration expendi-ture this year to help cushion the impact of lower profitabil-

ity. Mr Alfred Powis, chairman, said although earnings from the big minerals division should be higher in 1990, Nor-anda must bear the heavy interest costs of last year's takeover of 50 per cent of Fal-conbridge, and lower contribu-tions from the forest products subsidiaries in Canada and from the US aluminium affil-

This meant 1990 earnings overall would be down from 1989's C\$442m (US\$368.3) or C\$2.19 a share. Estimates of C\$1.60 to C\$1.80 a share were near the mark, he added. It is predicted the spending cutbacks will have most effect on the minerals division. One of the forest product affiliates, MacMillan Bloedel, will alone spend C\$450m in 1990, one third for environmental upgrading, and will end the year with debts of nearly C\$1bn.

Noranda may make further cutbacks in Falconbridge's nickel production if metal prices do not rebound. Last month Falconbridge said it would close one mine to reduce

would close one mine to reduce nickel output by 10 per cent, to 135m Ibs this year.

But Noranda wants to expand gold production through 50 per cent – owned Hemlo Gold Mines, a new Northern Ontario producer.

Noranda and Hemlo will share equally all spending on new gold properties acquired in North America from January 1 1990. ary 1 1990.

Dollar rise hits CanPac

By Robert Gibbuns

CANADIAN Pacific saw fourth-quarter profits decline by 8 per cent to C\$190m (US\$160m) or 60 cents a share because of a continued lag in earnings from its transportation and forest products sub-

Both these sectors were hit by the 4 per cent rise in the value of the Canadian dollar during 1989.

For the full year, CanPac earned C\$745m or C\$2.35 a share, down 9 per cent from C\$820m or C\$2.65 in 1988. Income from continuing operations dipped 3 per cent to C\$665m or C\$2.09 a share. During the year CanPac nearly completed a broad programme of rationalis-

Mr William Stinson, president, said a rebound in profits

was unlikely in 1990 because of continuing poor markets for newsprint, the high Canadian dollar, uncertain grain ship-ment volumes and the difficulties experienced by its trucking operations. Last year's results were buoyed by telecommunica-

tions, general manufacturing and property development. The property subsidiary, Marathon Realties, is being span off this year. Mr Stinson said CanPac might sell off its trucking subsidiaries this year, but that the

company would increase its 47 per cent holding in Laidlaw, the international waste management group.

The company will report revenue figures for the fourth quarter and year in the next

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INTERNATIONAL COMPANIES AND FINANCE

Pall Mall bid would lead to break-up of Laing, says Chilver

By Paul Cheeseright, Property Correspondent, In London

LAING Properties will be broken up if it is taken over by Pall Mail Properties, Mr Brian Chilver, the chairman of Laing,

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said yesterday.

"Effectively, the business as it is now won't be there any more," he said: Mr Chilver was responding to the formal offer document, posted to Laing shareholders by Pall Mail Prop-erties, explaining the details of the 650p a share cash bld, valuing the company at £441m (\$747.9m).

(\$747.9m).

Pall Mall Properties is a partnership of P&O, the shipping, construction and property group, and Chelsfield, a private property company 50 per centowned by Mr Elliott Bernerd.

Laing Properties' main defence document will be published in two weeks and an up-to-date valuation of the Laing property portfolio in mid-Murch.

The main lines of that the main lines of that defence were set out yesterday by Mr Chilver who said that Pali Mall, seeing Laing as good value for money, is simply exploiting the depressed property sector. Laing shareholders should not give the profit to somebody else, he said.

His argument that Laing

His argument that Laing would be broken up springs from the observation that Pall Mall is financing the greater

part of its planned purchase by a £300m facility from Lloyds Bank. This sum, added to Laing's existing debt of £500m, would be a high level of gear-ing to be set against a £1bn property portfolio. Hence, Mr Chilver concluded; the company would have to be broken

Mr Chilver's comments mark

the start of a verbal battle for control of Laing.

They must be set against the Pail Mall argument that acceptance of its hid would provide Laing shareholders "with the opportunity on reinvestment to increase their income five-fold" and that the offer "manufactures are their offer are t and that the offer "provides a significant uplift in capital value — an increase of some 33 per cent over the price on January 18."

That was when the latest bout of Lsing bid speculation began on the market. Analysts, noting that mem-bers of the Laing family and their trusts control about 40 per cent of the equity, think that Pall Mall will probably have to increase its offer if it is

Pall Mall controls 23 per cent of the Laing equity. Laing shares yesterday were 664p, down 2p on the day, but 14p above the offer

Liffe plans extension of after-hours trading

By Deborah Hargreaves

THE LONDON International Financial Futures Exchange (Liffie) announced yesterday that it will extend the scope of tts after-hours electronic trading system with the launch of more contracts on screen later this week and in March.

Liffe became the industry's first leading futures exchange to move into electronic trading when it launched its Automated Pit Trading system at the end of November. Since then the system has been trad-ing the exchange's Bund and Euromark futures contracts in an evening session from

an evening session from 4.30pm to 6pm.

APT got off to a modest start and has been averaging around 2,000 contracts a session, most of which have been concentrated in Bunds. The system posted a record on Monday when it traded 3,713 Bund futures and 1,382 Euromarks.

its major contracts on APT beginning with the long gilt futures, which will start trading on Thursday. This will be followed by short sterling intures on March 5 and Eurodollar and US Treasury bond faintees on March 28.

Cartes Bancaires rejects Amexco agreement By George Graham in Paris

FRANCE'S bank card consortium, fresh from a fierce row with its domestic competition authorities last year, is heading for a new argument with American Express, the US financial services group. Amezoo had reached an out-

line agreement with Société Générale, the fourth largest French retail bank, to allow each partner's card holders reciprocal access to the other group's cash machines.

But the Groupement des Cartes Bancaires, which brings together all French banks in a single bank card consortium, has refused to authorise the

Crédit Lyonnais, one of Société Générale's main rivals, tried without success to have a similar agreement with Amexco agreed some years ago: Banque Nationale de Paris, meanwhile, has a recto-rocal services deal with Diners Club, but this does not include access to cash machines, so does not require the Groupement's approval.
The Cartes Bancaires said

Amexco, with its own card, could not be expected to promote the French CB cards,

which are linked either to the Visa or the Mastercard net-works, depending on the issu-ing bank. It added that the deal was not even-handed, since Amexco has far fewer cash machines than Société Génér-

Mr Jürgen Aumüller, president of American Express Europe, said he was surprised by the decision, which seemed to go against a ruling by the French competition council in 1988, complaining of the Cartes Bancaires' anti-competitive

"This attempted exclusion

by Cartes Bancaires is clearly opposed to the spirit of 1992," Mr Aumüller said. He added that Amexo's agreement with Société Générale was not exclusive, and that he was already negotiating with four other banks on similar lines.

The row may be something of a storm in a teacup. As one rival banker pointed out, very few Americo customers do not also have either Visa or Mastercard, so they can already withdraw money from Société Générale's cash machines, or those of any other French bank.

France is almost unique in the world in having a single bank card system. Some bank-ers grumble that it is also unique in having a card system that loses money. The card may be labelled Carte Bleue (Visa) or Carte Verte (Mastercard), but its holder can withdraw cash from any of the

12,200 machines in France.
This principle of "interbancarité" provides a bonus for customers, and is heavily backed by the Government and by most of the banking profession, but brings difficulties over how to share costs.

Prudential splits Italian insurance venture

PRUDENTIAL Corporation, the UK insurance group, is to split its Italian insurance joint venture, 50 per cent of which was sold by the Benetton family to L'Abeille Group of France this week, giving it majority con-trol of the life side of the busi-

Under the new arrangement Abeille will take a 60 per cent stake in and be responsible for managing Prudential Assicura-zioni, the non-life arm of Pru-dential Holdings, the joint ven-ture of which Prudential Corporation and the Benetton group each owned half. At the same time Prudential

will take a 60 per cent stake in and be responsible for Pruden-tial Vita, the life insurance side. As part of the deal Abellle, a subsidiary of France's Victoire group, will put a further L10bn (\$8.05m) into the non-life arm of the

joint venture.
Mr Michael Lawrence, group finance director of Prudential, said yesterday that his company welcomed Abeille as a partner. He did not foresee any reason for friction between Victoire and Prudential in managing what is now effec-tively two separats joint ventures in Italy.

Mr Lawrence said that Prndential had been aware since last December that Benetton, the non-life business of the joint venture, established in 1987, had proved less success-ful than the life side. Non-life with extensive holdings in the Italian clothing industry, had been planning to retrench, reducing its commitment to financial services. Subsequent talks with Abeille led to the business in Italy as a whole has been growing by 10 per cent a year. Over the last year British insurance companies have decision to split the joint ven-ture into two parts. moved tentatively into Italy,

in common with other Eurowith Royal Insurance buying 90 per cant of Lloyd Italico for £99m (\$167.9m). Guardian Royal Exchange paid £44m for three Italian life companies it pean insurers Prudential has been eager to take advantage of the rapidly expanding market for life insurance in Italy, with growth in premiums expected by analysts to be 25 bought jointly with Banco de San Paolo di Torino. to 30 per cent a year for the

climbs by 52% KONE, the lifts and cranes eable future. Mr Lawrence confirmed that

group, said that income before tax and allocations rose last year by 52 per cent to FM526m (\$133.5m), writes Enrique Tes-sieri in Helsinki.

Kone income

Earnings per share increased from FM44.3 to FM67.8. Group turnover increased by 16.2 per cent to FM7.09bn, of which the elevator division generated FM4.70bn and cranes

 Skopbank, one of Fin-land's leading banks, saw net operating profits tumble 37 per cent to FM374m in 1989. The group return on equity dropped from 14.9 per cent to

Glen Dimplex buys 51% of Siemens subsidiary

By Clay Harris, Consumer Industries Editor, in Cologne

GLEN DIMPLEX, the privately its manufacturing side. owned Irish company which is the world's largest electric heating appliance manufac-turer, is to buy 51 per cent of KKW, Siemens' electric heat-ing appliance subsidiary and the market leader in West Ger-

The purchase, along with a similar smaller acquisition in France, also amounced yesterday in Cologne, gives Glen Dimplex its first manufactur-ing presence in continental

Europe.

The price for neither deal was disclosed but together they will increase the Irish company's annual turnover of £150m (\$254.4m) from electric heating by more than 50 per cent. Glen Dimplex aiready accounts for more than half of electric heater sales in the UE and ireland.

Mr Martin Nanghton, Gless

Mr Martin Naughton, Glass Dimplex's chairman, said the

The Irish company will sup-ply all electric heating prod-ucts sold under the Siemens name in the European commu-nity and sell UK-made heaters under its own Glen and Dim-

Judging from previous joint ventures: involving Siemens, the deal is likely to be a pre-liminary step towards eventual full ownership of KKW by Glen

plex brands through Thermo Technik TTB, Siemens' Stutt-gart-based heating distributor, which was included in yester-

Glen Dimplex is also buying 51 per cent of Leco, a Stras-bourg-based smplier of porta-ble and installed electric heat-

So far, Mr Naughton said, Glen Dimplex has achieved healthy export sales to Spain and the Benefitz countries, but

1989. A year of substantial growth for IBM UK

" "1989 was the 37th successive year of . growth for the IBM UK group of companies. A 21 per cent growth in home sales boosted total revenue to over £4 billion.

"This revenue growth was achieved through the dedication of our employees, the support लिया हुने हु देखाउठ अञ्चल जिल्ला our business partners and the continuing confidence of our customers.

> "And this success must be viewed against a background of rising UK inflation, a decline in sterling and intensifying competition in

the IT industry, all of which combined to reduce our overall profits.

"Nevertheless, the achievement is considerable. As we continue our policy of providing total solutions to our customers, I am confident that our strategy for the 1990s is the correct one?

AB CLEAVER, CHIEF EXECUTIVE, IBM UNITED KINGDOM LIMITED

IBM UK employs more that 18,500 people at 60 locations in the UK including two

manufacturing plants and a development laboratory. The Company recruited 640 new staff in 1989.

The IBM UK Annual Review 1989 will be available in April. For a copy please write to the Communications Librarian at IBM UK, PO Box 41. North Harbour, Portsmouth. Hampshire PO6 3AU. "I think, therefore IBM."

Audi expects continued rise in sales and profits

AUDI, the up-market arm of the West German Volkswagen group; has raised 1989 sales to more than DM12bn (\$7.2bn) from DM11.5bn while also increasing its profit/sales ratto,

Reuter reports.

Mr Kurt Lauk, the deputy management board chairman, said he expected sales and profits to continue rising, with Audi's 1990 profit/sales ratio increasing to 6.5 per cent after nearly 5 per cent last year and 2.5 per cent in 1968.

Mr Lauk said Audi's excel-lent result in 1989 was achieved in spite of a 15,000 drop in the company's domes-tic car deliveries from 1988's figure of more than 187,600.

He said a strong performance in Audi's export markets falled to compensate for the fall in domestic deliveries, Audi's total 1989 deliveries fell slightly to 420,000 cars from 423,000 the year before.

In some of its export markets — Spain, Japan and Italy — exports surged by more than 20 per cent. But Mr Lauk admitted that, with 87 per cent of its sales going to Europe, Audi had to expand into other markets.

kets.

Audi had still not decided where to set up a new engine factory employing 1,200. A decision is expected to be made this year. Audi wants the plant to be operational by 1992.

BBL rises in first quarter despite narrow margins

BANQUE Bruxelles Lambert (BBL) had stronger results in the first quarter of 1989-90 than the same period of the previous year, Reuter reports.

Mr Jacques Thierry, BBL chairman, said yesterday: "The first three months were better than last year and better than budget, although this could not be taken as an indication of results for the full year to September 1990."

Narrowing interest rate mar-

Narrowing interest rate margins continued to erode the profitability of the bank's lendordinating of the bank's state-ing operations, although this was offset by increased Belgian franc activity, Mr Thierry said. The rise of unit trusts in Belgium had meant more deposits, which contributed to the squeeze on margins, but also an increase in commission

There was also a growing tendency for clients to do without intermediaries and raise funds directly on the capital markets.

Mr Thierry said BBL would continue to develop its non-in-terest related activities in response to tough competition and the continuing harsh inter-est rate climate.

· BBL's profits from mergers and acquisitions, portfolio management, foreign exchange, consultancy and other fee business rose sharply.

other tee business rose sharpy last year.

• Sparebacken Midt-Norge, the Norwegian savings bank, more than doubled pre-tax profits to NKr338m (\$52.1m) but losses on loans and guarantees surged to NKr303m, of which NKr220m was attributed to commercial loans.

Alusuisse reconsiders sale

ALUSUISSE-Lonza has reconsidered its decision to sell Consolidated Aluminum (Conalco), part of Alusuisse of America, the Swiss group's US division, writes John Wicks in

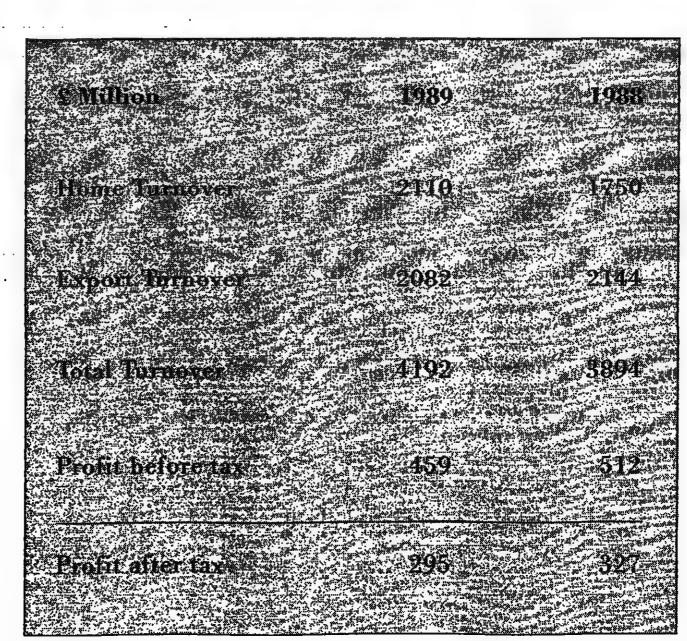
Dr Hans Jucker, the chief executive of Alushisse-Lonza, disclosed last September that negotiations were being held with a view to selling Consico, a light-metals processor with

1989 turnover of \$400m and a payroll of 1,500.

Alusnisse said it would retain Conalco because condi-tions on the North American aluminium market had

improved. Conalco had achieved very good results for last year.

There had been decisive progress in the company's profitability and product mix, Alu-



Section II. Companies Act 1989

The provisional results for the year ended December 31, 1989 as shown in this statement are not full accounts. Full accounts have not yet been delivered to the Registrar of Companies, nor have the company's auditors made their report on them under the Companies Act. This announcement appears as a matter of record only.

THE BANK OF NEW YORK

is pleased to announce the establishment of an

AMERICAN DEPOSITARY RECEIPT (ADR) FACILITY

INTERNATIONAL DEPOSITARY RECEIPT (IDR) FACILITY

for

RHONE-POULENC S.A.

Participating Shares Series A With Warrants

ADRs and warrants shall be listed on the New York Stock Exchange (NYSE).



For further information regarding The Bank of New York's ADR Services, please contact Kenneth Lopian in New York (212) 815-2084, or Diana Barham in London (01) 322-6341.

Principal Paying

& Convenion Agent

Notice to the Holders of the

£69,300,000 5% Guaranteed Convertible Bonds Due 1998

Inspectorate International Finance N.V. issued on 4th May, 1988 Convertible into Bearer Shares of

SFr 100 per value each of, and guaranteed by,

ADĬA S.A.

Notice is hereby given pursuant to the Terms and Conditions of the

above-mentioned bonds (the "Bonds") that, following the extra-

ordinary distribution associated with the merger of inspectorate

International Ltd. and Adia S.A., which became effective on 4th December, 1989, the Conversion Price (as defined in the Terms and Conditions of the Bonds) has been adjusted in accordance with

Condition 7 (b) (i) (C) of the Bonds. The adjusted Conversion Price

In accordance with Condition 7(a)(i) of the Bonds, the right of

conversion of the Bonds may be exercised as of the date of this

State Bank of New South Wales

U.S. \$250,000,000

Extendible Floating Rate Notes due 1998

Guaranteed by the Government of New South Wales

Notice is hereby given that the rate of interest for the period 14th February, 1990 to 14th August, 1990 has been fixed at 99/1696.

Interest payable on 14th August, 1990 per U.S. \$10,000 Note will be U.S. \$430.50 and per U.S. \$100,000 Note will be U.S. \$4,305.04.

la SFr 2.329.

Bankers 1140-Company, London Bankers Trust

14th February, 1990

THE NORDIC FINANCIAL & INVESTMENT CENTRES

The Financial Times proposes to publish this

SULVEY OUT 19 MARCH 1990

For a full editorial synopuls and advertisement details, please

CHRIS SHAANNING or GILLIAN KING on 01-873 3428/4823

or write to them at:

Number One Southwark Bridge SEI 9HL

FINANCIAL TIMES

FOOD INDUSTRY

FINANCIAL TIMES

Bergen Bank A/S

Up to Yen 2,000,000,000 Inverse Floating Rate Notes due 1991 of which Yen 1,000,000,000 is issued as the british to (The Series A Notes) and

Up to Yen 2,000,000,000 inverse Floating
Rate Notes due 1992
of which Ten 1,000,000,000 is issued as the initial translate
(The Series B Notes)

and

Up to Yen 2,000,000,000 Floating of which Yen 1,000,000,000 is issued as the initial tranche (The Series C Norm) and

Up to Yen 2,000,000,000 Floating
Rate Notes due 1992
of which Yen 1,000,000,000 is issued as the initial tranche
(The Series D Notes)

For the twelve months 3rd July 1989 to 3rd July 1990.

accordance with the provisions of the Notes, notice is hereby fixed at 7.6 per cent per amoun and that the interest payable on the interest payment date 3rd July 1990 against Coupon No. 1 will be Yen 7,600,000 per Yen 100,000,000 Note.

In the same manner the rate of interest for the Series B, C and D Notes has been fixed at 6.4 per cent per amoun respectively and the interest payable on 3rd July 1990 against Coupon No. 1 will be Yen 6,400,000 per Yen 100,000,000 Note respectively. The Industrial Bank of Japan, Limited Agent Benk

GOLD FIELDS OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa) (Registration No. 05/04181/06)

DECLARATION OF DIVIDEND (No. 84)

UNITED KINGDOM CURRENCY EQUIVALENT in accordance with the standard conditions relating to the payment of dividend No. 84 declared on 16 January 1990, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of R4.3025 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 13 February 1990, as advised by the Company's South African bankers.

The United Kingdom currency equivalent of the dividend (No. 84) of 70 cents per ordinary share is therefore 16.26961 pence per share.

By order of the Board D.C. Dykes

STEAUSHTS
Asian Dev. Stc. 6 94.
Asstra 6 56, 97.
Stc. Fryn. Econ. USSR 7 96.
Bask of Tokyo 54, 93.
Credit Foncier 64, 99.
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E.1.5, 3 2000. Enro Cond. Steel 74, 94. Enro Time 64, 96. Elac De France 54, 97. Hydro-Queber 64, 97. Japan Dev. Bt. 57, 97. Japan Flance 54, 97. Japan Flance 54, 97.

London Office Greencoat House, Francis Street, Landon, SWIP 1DH.

13 February 1990

United Kingdom Registrar: Barclays Registrars Limited, 6 Greencoat Place,

COMPANY NOTICES

The Piliabury Company U.S. \$100,000,000 10%% Notes Due 1993

A MEMBER OF THE GOLD FIELDS GROUP

CORRECTION

Advertisement for SCHLUMBERGER of Thursday 8th February 1990 (Page 38). In paragraph 3 of the advertisement "According to Euan Baird, Chairman, decreased interest income.." should have read \$63 million and not \$83 million...

US. \$60,000,000

Banamex

Banco Nacional de México, S.A.

Floating Rate Subordinated Notes Due 1992

Credit Spisse First Boston Limited

8.625% per annum

14th February 1990

14th August 1990

U.S. \$216.82

Interest Rate

Interest Period

Interest Amount per

U.S. \$5,000 Note due

14th August 1990

BANQUE NATIONALE USD 409.000.000 Boating rate notes 1984 dec 1995

The rate of interest applicable to the interest period from 3 Feb-roary 1990 to 8 August 1990 as determined by the Reference Agent is 5% per cout per amoun namely USD 433,65 per Bond of USD 10.000.

PERSONAL

Crand Metropolitan PLC has granted absolute and unconditional guarantee of the principal of, premium (if any) and interest on the above-referenced securities of the Pittabury Company, am Indirect wholly-owned subsidiary of Grand Netropolitan. A copy of the amendment to the Fiscal Agency Agraement containing the terms of the guarantee is available for impaction at the offices of Chibesh, N.A. as Fiscal Agent, 120 Wall Street, 13th Fiscar, New York, NY 19049 (and at the offices of Chicop Bent (Lumimbourg) S.A., as Listing Agant, 16 Avenue Marie-Therese, P.O. Box 1973, Lipsembourg.) U.S. \$500,000,000

National Westminster Bank PLC (Incorporated in England with limited liability) Primary Capital FRNs (Series "B")

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from February 14, 1990 to August 14, 1990 the Notes will carry an Interest Rate of 8%% per annum. The interest payable on the relevant interest payment date, August 14, 1990 against Coupon No. 11 will be U.S. \$4,305.03 and U.S. \$430.50 respectively for Notes in denominations of U.S. \$100,000 and U.S. \$10,000.

and the contract of the contra

By: The Chase Manhattan Bank, N.A. London, Agent Bank February 14, 1990

INTERNATIONAL CAPITAL MARKETS

SNCF issue increased to Y30bn on strong demand

By Deborah Hargreaves

THE LAUNCH of a Y25bn bond issue for SNCF, France's national railway, yesterday provides a benchmark deal in the 10-year Euroyen sector. The issue was increased to Y30hn soon after its launch 28 it experienced strong demand

INTERNATIONAL BONDS

from European institutions.

Many in the market believe even Y30bn is not enough to satisfy the latent demand for 10-year paper in a market replete with deals maturing in three to five years. The only major reference bonds of similar maturities are a Council of Europe issue which matures in 1999 and a yen deal for the Republic of Austria maturing in 1996. The SNCF deal was trading well within its fees at less 1.60 to 1.70 late yesterday

The World Bank was said last night to be taking a decision on whether to launch today a new \$1.5 m global bond issue, which will have a seven-year maturity. Uncertain conditions in the bond markets led the bank to postpone the issue which was originally scheduled for last month. The first global issue from the bank carried a 10-year maturity and was launched in September at an interest margin of 37½ basis points over the US Treasury market. The new issue will be jointly led by Morgan Stanley and Goldman Sachs.

although trading slowed towards the end of the day. The 10-year yen sector is not likely to attract many new deals as it is a difficult sector in which to organise a swap.

Pricing of a convertible
Eurobond issue for Samick, the South Korean musical instruments company, was delayed yesterday. The issue is expec-ted to be priced before the end

In the Swiss market, prices eased again slightly yesterday as existing issues came under

more pressure and dropped by % as demand remained selec-tive. Monday's issue for Nationale Nederlanden, which carried a 7% per cent coupon, still attracted some interest and was trading within its fees at less 1%. The Province of Manitoba deal was trading just on its fees to co-managers at

The National Bank of Hungary came to the market yes-terday with its second Aus-trian schilling bond issue for Schibn which carries a coupon of the week, but was held up over a disagreement over the size of the coupon. of 9% per cent and will be

less 21/4,

MEW INTERNATIONAL BOND ISSUES

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S&P downgrades Hong Kong debt

STANDARD & Poor's, the US credit rating agency, has announced a downgrading of amounced a downgraming of Hong Kong's long- and short-term debt ratings following a review prompted by last year's political upheaval in China, writes Michael Marray. The Hong Kong Government has no debt issues outstanding,

so the rating is an implicit one, which provides a sovereign ceiling for corporate borrowers. The colony's Mass Transit Railway Corporation (MTRC), which is Hong Kong's higgest borrower, is most affected by the decision.

"A", and its short-term debt rerated from "Al plus" to "Al". However S&P stressed the adjustment was based on the lower rating ceiling for entities domictled in Hong Rong and not a change in its view of the MTRC, which had strong oper-sting performance and improv-ing imance.

Its long-term debt has been downgraded from "A plus" to

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FLOATING MATK
WOTES
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Sank of Greece 99 US.
Belgium 91 US.
Credit. & Glouceter 94 £
Desdoer Finance 99 DM.
FFC 362 DM \$\text{spread}\$
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Halffax BS 94 £

Lavid Branch 99 E

Leeds Pern. BJS. 94 £

Milk Ritc. Brd. 5 93 £

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Woolwich Equit. BS. 93 £

Woolwich Equit. BS. 93 £ ### Brands 7 % 02 US......

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Straight Bonds: The yield is the yield to redemption of the mid-price; the amount based is in stillions of carrency salts except for Yen bonds where it is in billions. Change on work = Change over price a week earlier.

Floating Fate Rotes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.die = Date sent coupon becomes effective. Spread = Maryin above the month; isobove mean rate for US dollars. C.cpo = The current coupon.

coupon, sowerline Bonds: Denominated in dollars unless otherwise lunicated. Cop. day=Glange on day. Gar gaze = First, date of conversion. Into studers, for, price=Hormani annioust of bond per stare appropried recurrency of stare at conversion vate fixed at losse. Press = Percentage pressium of the currenteffective price of acquiring shares via the bond over the most recent price of its stores.

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Daily forex turnover averages. \$640bn

By Simon Holberton, Economics Staff

THE GLOBAL trading for foreign currencies is 32 times greater than world trade, according to a Bank for Inter-national Settlements study of

the foreign exchange market released yesterday.

The study, using data com-piled from surveys of 21 coun-tries conducted in April 1989, estimates that the net average daily turnover in the foreign exchange market amounts to \$640hm, after adjusting for an estimated \$294bm of cross-bor-

der double counting.
The estimated global trading
of foreign currencies last April amounted to \$14,79bn. This compares with world trade in goods and services in April of \$460.9bn and cross-border claims on RIS reporting banks

of \$4,753.8bm. The UK, US, Japan and Swit-The UK, US, Japan and Switzerland account for more than half of the global market in currency trading. Compared with 1986, when a similar but more limited survey was conducted, Japan's currency market posted the fastest growth.

Currency trading in Japan grew by 140 per cent between March 1986 and April 1989. In March 1986 and April 1989. In the US it grew by 120 per centwhile in the UK, which houses the largest single market for currency trading, the market grew by 108 per cent.

The survey underlines the continuing importance of the US dollar in foreign exchange trading. About 20 per cent of

or dollar in loreign exchange trading. About 90 per cent of identified global transactions involved the dollar. The year was involved in 27 per cent of total transactions, the D-Mark in 26 per cent of transactions and exercises in 15 per cent of and sterling in 15 per cent of

and sterling in 15 per cent of trading.

London took a 40 per cent share of trading in non-local currencies, followed at some distance by Singapore and Hong Kong. Nearly 90 per cent of these transactions were against the dollar, followed by the D-Mark and the yen.

Spot foreign exchange transactions — deals made for settlement in two days time — account for 58 per cent of

account for 58 per cent of gross exchange market activity, with forward deals accounting for 40 per cent and currency options just 2 percent, or \$22bn of reported

gross global turnover. Survey of Foreign Exchange national Settlements, Basie, 4002, Switzerland. No price

HK banks join Citic syndication

By Michael Marray In Hong Kong

HONGKONG and Shanghat Banking Corporation and its subsidiary, Hang Seng Bank, have agreed at the last minute to join the lead-management group for a HK\$7bn loan to China International Trust and investment Corporation (Citic) to help finance the acquisition of a 20 per cent stake in Hong-kong Telecommunications, a Cable and Wireless subaldiary. Uncertainty about the par-ticipation of the two big local

banks arose after Wardley, Hongkong Bank's merchant banking unit, lost out to Bar-clays of the UK in its bid to win the mandate to arrange the loan. Yesterday's announcement

of the participation of the Hongkong Bank group came with the news that Wardley will act as co-stranger along-

will act as co-arranger along-side Barclays.

Doubts about the participa-tion of Hongkong Bank were viewed as damaging to the overall syndication effort, since other foreign banks could have misinterpreted the Hongkong Bank's hesitation to participate as stemming from wearies over loans to Peking-controlled entities. The loan is now oversubscribed, though controlled entities. The loan is now oversubscribed, though additional banks may still be brought into the lead management group, which already includes banks from the US, Europe and Japan.

The syndication is for a HK\$5.4bn 16-year project finance tranche at Hong Kong interbank offered rate (Hibor) plus 1 per cent, and a A\$224m

five year zero coupon facility.
Another HK\$1bn is to be raised through an issue of cov-

HK\$10bn price tag on the Hongkong Telecom shares with an additional HK\$2bn from its internal resources.

CME Libor contract

The Chicago Mercantile Exchange will list a new contract based on the one-month London interbank offer rate on April 5, writes Deborah Har-

will complement the CME's range of short-term interest 3 52 5 larger of the the colone

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ered warrants. Citic will make up the

greaves.

The new futures contract

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rate futures contracts.

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Michael Marray ang Kong JOHONG and Shope

ACROND ARE MANY CORPORATE AND SAFE ACTIONS OF A CORPORATE AND SAFE ACTIONS OF A CORPORATE AND A CORPORATE AND

Treasuries retrieve some losses despite Drexel news

By Karen Zagor in New York and Stephen Fidler in London

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recou	ped sor	ne of ti	icir previ-
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bert,	the big '	Wall Str	eet invest-
			ght file for
Dank	ruptcy	omà s	day after

GOVERNMENT BONDS

the firm denied that this might Drexel also said it was liquidating its government securi-ties portfolio and had defaulted on at least \$100m worth of London closing, "denotes New York closing Victor US, UK in 32nds., others in decimal lineng."

In late trading the Treasury's beliwether 30-year bondwas up 1/2 point at 1011/2, yielding 8.39 per cent, after turnbling 14 point on Tuesday. At the short end of the yield curve the two-year issue was up December's figures, to a drop point to yield 8.19 per cent.

The Federal Reserve did not 0.2 per cent, helped offset conintervene in the open market yesterday and Fed funds, the rate at which banks lend to each other, changed hands at

8% per cent.
The debt market's reaction. to the possible Drexel bankruptcy seemed cautious after Monday's losses. Bond prices did not deteriorate, but there was little evidence of safe-haven buying of government securities on the Drexel news. However, the junk bond mar-ket slid throughout the morning in anticipation of a sell-off

by mutual funds.
The Treasury market's recovery came after early morning losses in the wake of stronger than expected retail ples figures. Retail sales grew 1.6 per cent in January, thanks mainly to a surge in automo-bile sales. This was the biggest to be futures-driven, with more

By Karen Fosali in Osio

A 365M PRIVATE placement

ful, though over-subscribed by

\$85m.

		Coopen	Red	Price	Change	Yield	Week age	Moel ago
UK GILTE		10.000 10.500 9.000	4/93 5/99 10/08	94-0 <u>6</u> 95-15 89-00	+7/32 +14/32 +20/32	12,25 11,20 10,34	12.40 11.30 10.38	11.74 10.85 9.93
US TREA	BURY .	7.875 6,125	11/99	98-34 96-26	+ 18/22 + 18/22	8.36 8.41	8.57 8.57	8,17
JAPAN	No 119 No 2		8/99 3/07	89.1519 95.3744	-0.307 + 0.314	6.68 6.26	6.63	6.49
GERMAN	Ŷ	7.125	12/99	91.0000	+0.350	8.51	7,92	7.45
FRANCE	BTAN	8.000 8.125	10/94 5/99	90.5355 89.0000	+ 0.103	10.65	10.38	10.1 0.41
CANADA		9.250	12/90	94,1000	-0.200	10.21	10.04	9.79
NETHERL	ANDS	7.500	11/99	90.5700	0.030	8.99	8.49	5.12
AUSTRAL	IA.	12.000	7/98	94.6057	+0.75	12.96	12.74	12.8

bile sales, January's retail sales rose 0.6 per cent Furthermore, a downward revision in cerns about the January data.

AFTER six successive days of decline, the West German government bond market paused yesterday. The shift in mood prompted railles in other bond markets throughout

Europe. However, little enthusiasm was evident for the market, which, after opening lower, mostly finished slightly higher

on the day.

More details emerged on the likely path toward monetary union of the two Germanys, with the two governments establishing a joint committee to study the issue. It also became clear that no move was likely before the East German elections on March 18.

the Bund futures on the London International Financial Futures Exchange (Liffe). The contract closed at 83.39, against the previous settlement of

The Bundesbank announced it would allocate a two-tranchs variable rate repurchase agreement for 28 and 63 days today, with DM17.8bn in agreements maturing tomorrow. But this had little market impact.

Yield differentials between the French government market and the German market for 10-year maturities widened slightly to 147 basis points, while the Dutch market was again weak, and the yield dif-ferential put at 48 basis points.

The UK government bond market put in a more enthusiastic performance, but it was hard to divine a factor other than the stabilising of the West German market which prompted a short-covering

amp since October 1988. However, excluding automotive than 60,000 contracts trading in the active March contract of market. Benor Tankers placing oversubscribed

institutional investors from recently established in Olso. Scandinavia, the UK and conti-

The placement allowed Benor Tankers to purchase a fleet of five modern product tankers for \$129.5m, of which \$75m was arranged by Oslo-based Den norske Credit-

Bunds crumble with the Berlin Wall

Stephen Fidler and Simon Holberton on the retreat of the West German bond market

he crumbling of the Ber-lin Wall last November has undermined another edifice the West German bond market. Long protected by the anti-inflationary zeal of the West German central bank, the Bundesbank, it has been a safe harbour for German savings. Now the momentous events which have shaken the continent are challenging the cer-tainties of West German financial policy, and the Bundesbank is being swept

Since the collapse of the Ber-lin Wall, West German govern-ment bond prices have been in almost continuous retreat. It is a retreat which has intensified over the last two weeks, as the depth of East German economic distress has become more apparent and as the timetable for monetary and eco-nomic union between the two

Germanys has accelerated.

Since East Germany announced it was opening its borders on November 9, the yields on 10-year West German government bond have risen from about 7.2 per cent to over 8.5 per cent yesterday. That reflects an extraordinary down-grading of the D-Mark bond market. The implications could be significant throughout western Europe.

Long-term bond yields can be analysed as representing three elements: a "real" interest rate reflecting the real supply and demand for long-term capital, a nominal element which compensates investors for the loss in capital value caused by inflation, and an uncertainty premium, reflecting a reward to investors the taking the right of committee. for taking the risk of commit-

ting funds.

The expected monetary unification has changed all three elements: increased uncertainty, expanded the risks of inflation and shifted the likely demand and supply of credit in such a way that a rise is indeed justified.

The uncertainty premium is

the least worrying in the long-term. The market has shown unprecedented volatility in recent months which makes German bonds a riskier investment. That volatility, many in West Germany feel, has been exaggerated by the existence of the London futures market. There is, at least until this summer, no

EQUITIES

German market often appear unduly to follow the shifts of speculative funds on the London International Financial Futures Exchange (Liffe). In a reprise of the arguments heard in the US at the time of the stock market crash in 1987, many in West Germany believe the London futures market tail is wagging the cash market dog. However, in time, this volatility can be expected to die down and the uncertainty pre-minm to decrease.

The inflation question is more of a problem. Higher inflation in West Germany is seen as a probable conse-quence of the monetary union now being discussed by Bonn and Berlin. According to Goldman Sachs International, the Wall Street investment bank, if East German inflation is 20 per cent and West Germany inflation 2.6 per cent then the weighted average inflation rate for greater Germany would be

The prospect of higher infla-tion has been behind the Bundesbank's desire to urge cantion on monetary union. It is possi-ble, however, that monetary union is now seen as the mechanism for controlling East Ger-

As many economist concede. they have no way of knowing what the true rate of inflation in East Germany is. The East German economy is highly regulated with price controls, there is rationing and subsidies on a large scale and trade and investment is controlled. Monetary statistics suggest to Mr Gerry Hotham, interna-

ional economist at Shearson Lehman Hutton, there is not a Polish-style monetary over-hang in East Germany which could threaten inflation for a merged Germany. With about Ostmark185bn in cash and savings in East Germany a conversion at a ratio of 5:1 would inflate West Germany's money supply by 3 per cent. "The problem looks manageable," he says.

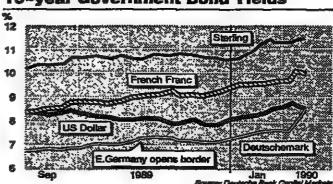
Even at an exchange rate of

3:1, other economists work out the expansion in German money supply at 4 per cent. And there is some extra pro-ductive capacity in East Germany. That exchange rate is criti-

for a rate anywhere near par-ity, then the prospect is that armed with hard currency in place of their Ostmark, the East German consumer will go and spend it on consumer goods in West Germany, threatening inflation in an economy already near to full capacity. None the less, in spite of the East German Government's desire to win a popular deal for its newly-enfran-chised people ahead of next month's elections, it must realise that too high an exchange rate would be even more doves tating for East German indus-

futures contract in German cal. If the East Germans argue bonds in Germany, so the for a rate anywhere near parday-to-day fluctuations of the ity, then the prospect is that D-mark on the currency markets and is likely to have an impact on long-term rates. Of most concern to West German financial markets, therefore, may be the likely demand for funds to rebuild East Germany in the years ahead, and to house and feed East Germans who have emigrated west. Initially they will have to come through an increase in the West German budget deficit - and the supply of more government bonds. If the object of monetary and eventually economic union between East and West Ger-





On the other hand, if the rate is set at a level more justi-fiable in economic terms, the incentives to emigrate into the west will be great for many East German workers. West German welfare payments will be higher than East German wages, as Mr Avinaush Persaud of UBS Phillips & Drew has pointed out. This will pres-sure West German public finances, and consequently the hond market

number of methods can humber of methods can be used to ameliorate the problem: a sliding scale could be used to conversions of savings given a less advantageous rate to larger amounts, bonds could be issued to East German savers with future conversion rights to spread out the problem, or those bonds could be secured on East German assets.
Nonetheless, the widespread

expectation is that the Bundesbank will sterilise the monetary effects by tightening mon-etary conditions. This will many is to raise living standards in the east then the scale of the investment needed by

East Germany is large. Accord-

ing to some economists this suggests what is happening on

the German bond market has

more to do with real interest rates and makes uncertainty or fears of inflation secondary considerations. S G Warburg Securities has estimated that on a 5:1 exchange rate, and assuming half of Rast Germany's capital stock is uneconomic and in need of replacement, East Germany requires investment of DM2,350hn (\$1,332hn) to raise

its per capita income and out-

put to West Germany's level. Spread over 10 to 20 years the

would be substantial. "The burden would be shared out, of course, but it would still represent an impor-tant source of pressure on capitalist savings. Japan and those countries in western Europe where the economic cycle is still strong and where savings

are falling, would succumb to additional upward pressure on interest rates," it says. The likely consequence of the economic redevelopment of East Germany, and central Europe as well, suggests the hunger for western savings

may have caused a steep change in real interest rates. The picture that builds up, according to Chase Investment Bank, is an environment of "lax fiscal policy and unaccommodating monetary policy. This favours the currency but not the bond market. And the boost to economic activity implied by the restructuring

"clearly favours the equity

market relative to the bond There will be long-term benefits for the German economy, however, but the pay-off will not occur quickly. "The pros-pect of long-term productivity gains is likely to sustain both capital flows and relatively high real interest rates for

Lex fiscal policy translates into higher government bor-rowing in West Germany. The prospect for greater supply of government paper has also had an impact on yield spreads between the government bond market and the various other D-mer's bond markets.

It should reduce or erase the traditional yield advantage that the German market has over its other European coun-terparts. Indeed, the yield gaps between the German market and its French and Dutch counterparts have been shrinking in recent weeks.
It could also add to strains

on the European Monetary System. This would mean either higher interest rates in the rest of Europe, to protect the other continental currencies, or a realignment of the EMS. Either way it suggests other European bond markets will not be completely insulated from German events.

On the other hand, worries about higher inflation in Ger-many could mean that temporarily the Bundesbank loses its status as the pillar of European financial stability. This may lend strength to the arm of those, for example in the UK, who are not entirely convinced of the benefits of membership of the EMS's exchange rate

mechanism. See Lex, Page 25

undertaken by Finanshuset, the Oslo-based investment nental Europe participated in the placement, according to Financhuset. Benor Tankers bank, for newly established Bermuda-registered Benor Tankers was deemed successwill be listed in Luxembourg

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and is to seek a listing on the international shipping list

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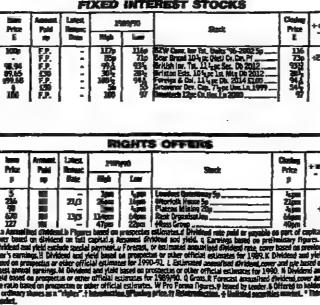
_	EQUITY GROUPS	7	Tuesda	y Febr	uary 1	3 199	0	Mos Feb 12	Fri Feb	Thu: Fab 8	Year ago (approx)
. Fi	a SUB-SECTIONS. gures in purentheses show number of stocks per section	laciex.	Day's Change	Est- Esmiags Yield% (Max.)	Gross Div. Yield% UAct. at (25%)	Est. P/E Intio Otat)	nd adj. 1990 to date	litera No.	ledex No.	Index No.	- Index ille,
-1	CAPITAL 6000\$ (205)	673.57	-8.2	13.02	4.80	9.36	1,62	874.75		889.92	968.61
2	Bolking Materials (27)	11071.92	-43	14.69	5.27	8.49	6.50	1975.48	1967.40	1077.15	1128.55
3	Contracting, Construction (37)	.0487.20	-0.6	16.52	5.29	7.80	6.47	1496.02		1506.31	1447.35
- 4	Electricals (10)	2498.46	-0.1	18,77	4.98	11.67	0.79	2500,17	2532.53		2474.23
5	Electronics (30)	1720.54	+0,2	9,36	3.75	13.82	10.21		1926.53	1934.51	2547.47
6		434.07		13.95	5.06	8.82	6.04	434.07	439.76	446.89	0.00
I	Engineering-General (44)	460.33	-0.2	12.63	5.06 6.43	18.01	1.28 8.90	467.38 467.56	474.75	474.38	PLN
8	Motors (16)	464.59	48.7	1454	5.79	8.06	8.60	361.54	365.62	369.99	311.40
	Other industrial Materials (25)	7 201.04	-8.4	18.78	4.62	28.77	3.66	1578.87	1589.49	1484.76	1521.96
20	CONSUMER GROUP (177)	1249 25	-9.4	136	1.81	13.41	1.05	1248.72	1259.37	1249.93	1174.86
27	Brewers and Distillers (22)	1454.37	+0.6	9.41	3.62	12.84	6.54	1446_18	1440.88	1483.35	1275.77
11	Food Manufacturing (19)	DAME 37	4.6	9.82	4.96	12.47	1.70	1096.93	1185.43	1115.20	1859.73
26	Food Petalling (16)	2263.94	-8.2	8.96	3.35	14,48	6.99	1248.21	2276.04	2299,40	2139,74
27	Health and Household (13)	2427.68	-4.1	6.45	2.69	18.47	0.20	2429.92	2456.90	2468.48	2136.52
29	Leisure (33)	1578.70	+8.2	8.47	3.75	14.50	4.83	1575.86	1571.99	1604.50	1568.69
31	Packaging & Paper (13) Publishing & Printing (17)	571.M	-0.1	12.27	5.41	10.30	9.90	573.12	575.21	581_50	591.95
32	Publishing & Printing (17)	3511.86	-4.5	9,21	5.01	13.85	21.29	3527.57	3559.12	3579.83	3735.51
34	Stores (31):	780.06	40.2	11.15	4.83	11.66	1,78	779.17	787.21	790.20	780.67
35	Textiles (1.3)		44.7	11,44	5.94	19.68	6.27	542,62	5649	511.51	518.30
40		1173.87	+8.2	18.89	4.75	11.61	6.34	1172.00	1186.76	1184.94	1054.23
41	Agencies (17)	1574.91	+0.1	6.65	2.12	18.47	8.85	1573.66	1594.32	1513.67	1206.36
42	Chemicals (22)	1286,86	43	12.63 11.24	5,34 6,13	10.46	9.57	1298.19 1604.35		1433.66	1207.33
43	Conglomerates (15)	2248.60	18.4	19.76	4.27	11.14	2.25	2239.05	2255.78	2271.57	2202.80
44	Telephone Networks(2)	MICLE	19.6	10.21	4.12	12.74	0.48	1236.49		1254.59	1115.63
40	Water(10)	1997.14	+8.7	17,45	4.71	6.35	8.00			2007.58	8.00
	Miscellaneous (26)	1872,78	-0.1	2,49	4.39	11.88	9.71		1878.82		1448,78
	INDUSTRIAL GROUP (483)	1145.37		19,60	4.37	11.53	1.06		1154.14	1163.46	
		2411.65	+0.9	8.93	4.73	14.80	6.21		2429.32		
.51					_						
	500 SHARE INDEX (500)	1250.38	+6,1	19.36	4.62	11,92	2.20		1268.56		
	FINANCIAL GROUP (114)	822.47	48.3	-	5.17	-	8.99	\$19.86	31.47	836.22	752,95
	Banks (9)	862.64	-8.3	19.56	5.82	6.52	1.48	343.43	883.27	189.35	757.72 1499.79
65	Insurance (Life) (7)	13/7.70	+1.6	- 1	500	_	8,86 8.88	647.13	1378.19	1387.21 697.80	599.18
	insurance (Composite) (7)		477-0	6.68	5.79	19,94	8.64	1186.98	1113.61	1122.37	1824.48
	Merchant Banks (8)		-0.1	-	3.58	27/77	0.64	477.93	581.73	50.41	953.60
	Property (49)	1150.87	3.4	7.93	5.77	15.95	1.30	1155.41	1158.34	1169.86	1380.15
70	Other Financial (28)	329.93	-	12.86	6.40	10.26	1.75	330.11	331.77	331.25	386.77
71		1211.84	-0.3	-	3.02		1.13	1215,74	1221.99	1284-17	1864.71
97	Overseas Traders (5)		-0.3	20.84	6.52	20.85	30.79		2430.44		
	ALL-SHARE INDEX (687)	1146.88	+0.1	-	4.50	_					1869.89
- 77	, , , , , , , , , , , , , , , , , , , ,	Index	Day's	Dav's	Day's	Frie	Feb	Feb	Feb	Feb	Year
•	14 (4)	Ng.		High (a)	Low (b)	12	9	-6	7	6_	390
	FT-SE 100 SHARE INVEXA	2295.2		2299A	_	2286.9	2313.6	2331.0	2987.A	2321.1	2019.I

FIX	ED I	NTE	RES	F			AVERAGE GROSS REDEMPTION YIELDS	Tue Feb 13	Man Feb 12	Year age Capprox
PRICE INDICES	Tue Feb 13	Day's change %	Mon Feb 12	xd adj. today	ixi adj. 1990 to date	129	British Government Low Sycurs Composes 15 years		10.75 10.46 10.28	8.95 8.85 8.76
British Government 1 Up to 5 years 2 5-15 years 3 Over 15 years 1 Irredeemables 5 Alf stocks Tudey-Linked	114.83 124.64 133.27 150.15	+0.42 +0.68 +0.03	115.26 124.12 132.37 156.11 123.68	= 1	1.60 0.98 0.00	8 9 10	Medium 5 years. Coupons 15 years. Wigh 5 years. Coupons 15 years. Interdepmables. Index-Linked inflation rate 5% is a to 5 west.	11.22 19.70 19.33 11.97 19.49 10.46 10.32	11.91 10.77 10.36 12.03 10.97 10.51 10.32	9.21 8.97 18.27 7.46
Up to 5 years Over 5 years All stocks	136.06	-0.26	140.36 136.42 136.60		0.64 0.59	12 13 14	inflation rate 5% Over 5 yrs. Inflation rate 10% Over 5 yrs. Over 5 yrs.	3.87 3.62 3.71	3.85 3.57 3.69	3.57 2.65
Debeutures & Latting				=	1.08	-	Debt & 5 years Leans 15 years 25 years		12.75 12.75	

RISES AND FALLS YESTERDAY

LONDON RECENT ISSUES

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			Fl	KEL	INTEREST S	310					_
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TRADITIONAL OPTIONS											
First Dealings Last Dealings Last Declarations For settlement	Feb 5 Feb 16 May 10 May 21	Calls in Avive Pet, Beckenk Brit. Airways, Buts Res., N Guelle Res., McCarthy & Sk Guesna Most Houses, Priest I isms, Rosehaugh, Strong & Fil									

LONDON TRADED OPTIONS

TRADING WAS quiet yesterday as turnover on the underlying market stackened. The main factors index, some of which was by

difficulties afflicting Drexel Burnham Lembert, though nervousness about the possibility of a rise in West German Interest rates added to the unease.

Dealers said there were some signs that Investors may be considering buying at the current market levels. One options analyst pointed to the larger number of calls that changed hands as a sign of a more buillah tone. Oth-

Total options market volume amounted to 24,884 contracts, little changed from Mondey. Yesterday's total was divided between 14,108 cells and 10,778 puts.

The FT-SE 100 Index made up over 25 per cent of the day's tracing. A total of 7,440 contracts were traded, of which 3,219 were calls and 4,221 were puts. The February 2,250 put was the busiest, with 1,173 lots changing hands.

The European FT-SE Index option traded 1,483, of which 656

were calls and 828 puts. Turno was boosted by James Cap which sold 650 of the December 1 2,525 puts at 187p and an equal number of calls in the same series at 104p. The trade was hedged in the tutures market and was based on a bearish short-term view but buillish longer-term. The transaction was also said to be a cheap way of buying the December FT-SE futures index.

Among the stock options, Thames Water was the busiest. A

Thames Water was the busiest. A total of 900 lots changed hands, of which 300 were calls and 600 puts. The Water Package was the second most active, as one US house sold 800 of the May 1,800

	PM15	9812			care"	7978			cim	POTS
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Caution still reported in some of the biggest financial centres

Core growth behind Reuters' rise to £283m

REUTERS HOLDINGS, the financial information and news group, yesterday revealed record operating margins when it reported a 31 per cent increase to £283m in pre-tax profits for the year to Decem-

Mr Glen Renfrew, managing director and chief executive, said: "The steep increase in pre-tax profit reflected record operating margins and a sharp rise in interest income, backed by continued good revenue growth in core products. Revenue increased by 18 per

cent to £1.19tm and earnings rose by 36 per cent to 43.6p. The total dividend is lifted by

44 per cent to 13p.

"Earnings per share had the additional benefit of a reduced tax rate and a small decline in the average number of shares outstanding."

The world's financial man-

outstanding."
The world's financial markets, on which Reuters depends for most of its revenue, had not all regained the high level of confidence seen before the October 1987 stock market crash.

However, Mr Renfrew said: The company's core information and transaction products performed very well. Foreign exchange business continued

GOODMAN GROUP plans to expand its share of the frag-mented video market with

the acquisition of a further

21 retail shops for a maxi-

reduce indebtedness, there is to be a 25m net underwrit-

ten rights issue through 24.95m shares at 22p each, on a three-for four basis. Now the clothing and foot-

wear businesses have been

sold, Goodman proposes to change its name to Video Stores Group. The video

division was purchased last

August and the latest acqui-

sition will bring the number of outlets to 68.

January 31 1990 will show the first positive results

Results for the year ended

To finance that and to

vous than in 1988.

Rapid growth of foreign exchange and securities business in a number of burgeoning or resurgent European and Asian markets helped to compensate for the caution still ruling in some of the higgest financial centres."

Core product revenue also grew strongly in North Amer-

Problems persisted in the market for large digital trading room systems and, although Reuters continued to win a major share of the business available, revenue from this source was lower than in 1988, especially in North America.

New orders for core products showed a modest improvement compared with 1988. Orders were particu-larly strong for the the first phase of the new Dealing 2000 system, which updates termi-

The new terminals will pave the way for the second phase of Dealing 2000, which will add automatic execution to the negotiated dealing facilities of the present sys-

nals on the Reuter Money

Other new products to be launched in the first half of the year include Money 2000, a successor to the Reuter

from the video side, but still reflect the substantial losson

It is intended to return to the dividend list as soon as

the dividend list as soon as possible, but no payment is expected for 1990-91.

The companies being acquired are Wunday, with 12 outlets around Milton Keynes, and Top Tape, which operates from nine shops in East Anglia. Initial aggregate consideration is

aggregate consideration is

£1.6m, of which £1.2m is cash and the balance in

shares. Further payment

depends on profits.
For Wunday the initial payment is £560,000 to £700,000 cash, with a further

maximum of £800,000; maximum for Top Tape is £1.5m, the initial £900,000 being

in clothing and footwear.

Goodman calls for £5m to

expand video activities



Glen Repirew: core information and transaction products performed very well

eign exchange and money markets, the company's most important source of revenue. Mr Benfrew said: "We started 1990 with a big order backlog and a high rate of installations. New orders con-tinue to hold up and we

met by 2500,000 cash, £200,000 assumption of cer-tain liabilities, and the bal-

ance by shares. Goodman has recently

Several board change are also announced. Mr A Gore and Mr P Gore have left fol-

lowing the disposals, and Mr

C Cooke has resigned. Mr Christopher Simpson becomes chief executive and

Mr Brian Hamer finance

Mr John Tilbrook joins the

next few months have anothlent prospects. We hope to go on earning good margins and to improve the cash position

further." He added: "Although we do not expect to repeat last year's performance in percentage terms, the current cent. The tax rate was 36 p outlook is for very good cent, against 37.7 per cent

Operating profit rose 28 per cent to £285.4m, and the oper-ating margin was 22.4 per cent compared with 20.7 per cent. Interest income more than doubled to £19.4m, taking the pre-tax profit margin from 21.5 per cent to 23.8 per cent. The tax rate was 36 per

Cost of Mid-Sussex water could top inflation by 16%

By Andrew HE

MID-SUSSEX Water Company will be allowed to increase its water charges by up to 16 per cent above the rate of inflation during the next three concluded negotiations with West Coast Video Enter-prises, of the US, to become its UK head franchises.

Mid-Sussex is the last of Britain's 29 statutory water companies to receive a price cap – or K factor – from the Government.

The other companies were told their proposed K factors last week after several months of difficult nego-tiations: they will be allowed an average in-crease in charges of 6.5 per cent above the rate of inflation in the next five

board in a non-executive capacity; he is finance direc-tor of Beason Gregory, underwriters to the rights nies supply water to 25 per cent of the population of

England and Wales, alongside the 10 former water authori-ties, which also deal with

dirty water.
The authorities were privatised before Christmas and received their K factors last Mid-Sussex is controlled by

SAUR Water Services, a sub-sidiary of the French construction group Bouygues. Under yesterday's proposals it would be able to increase its charges by up to 16 per cent above the rise in the retail price index in 1980-91, 1991-92 and

In the following seven years up to the end of the decade, the water company's price increases would be in line with RPL

Early merger between Midland and Hongkong banks unlikely

By David Barchard in London and John Marray in Hong Kong

March 13.

BANK and MIDLAND Hongkong and Shanghai Banking Corporation yesterday moved to dampen expectations of an early announcement of a merger between the two bank-

ing groups.

Both banks are due to announce their year-end results in the next month and there had been press speculation that announcement of the merger might coincide with

"Midland and Hongkong Bank continue to develop their relationship and to discuss the form and nature of a closer business association between the two groups. These are pre-liminary discussions and a fur-ther statement will follow, if appropriate", the two banks said in a tensely worded state-

ment further about the statement further about the statement but sources close to the Hongkong Bank added yesterday that it was unlikely that

any further announcement on a closer business relationship would be made along with the release of either set of

Midland Bank releases its results next week, on February 22, while Hongkong Bank announces its 1989 figures on

Banking analysts in London yesterday said they were not surprised that the two banks were moving to calm specula-tion about their future at this stage. "The word merger has already been used by the two banks in public, so we have a fairly clear perspective on what lies in store," said one. Another said that though the merger would be beneficial for Midland shareholders by creating a stronger bank, it would not bring them benefits in the form of a bid premium on the

If it happens, the merger will bring into being a combined bank ranking among the ten

largest in the world with a commanding business position across the globe, but there are still formidable political, legal and commercial obstacles to be

ant

The Hongkong Bank's share price has enjoyed a strong run in recent months amid speculation that it may soon move towards fuller disclosure by revealing the extent of its secret inner reserves allowed under the colony's banking

Any such move will be seen as preparing the ground for the eventual merger with Midland. However the Hongkong Bank's share price has lost ground this week after last Friday's announcement by the bank of \$175m worth of loan loss provisionsby its US subsidiary, Marine Midland

Hongkong Bank shares closed 15 cants lower yesterday at BK\$7.45. In London Midland's shares rose by Sp to close at 368p.

Berlitz achieves Mainmet £762,000 30% growth in the red Mr Robert Maxwell, chairman of Maxwell Communication

Mainmet Holdings, the USM-quoted manufacturer of metering equipment and controls which is currently the subject of a £523,000 takeover offer, revealed pre-tax losses of Corporation, has announced that profits at Berlitz Interna-tional were up more than 30 per cent in 1989 before the amortisation of goodwill. Berlitz is the language tuition company acquired as Berlitz is the language tuition company acquired as part of Macmillan, the US publisher. Sales were a record \$216.5m (£128.6m), but operating income declined from \$24.1m to \$23.5m because of the inclusion this time of a full year of amortising of goodwill, compared with only two months in 1988.

The goodwill grose from the acquisition of Macmillan in 1988. £762,000 in the six months to

November 30 1988. This compares with a pre-tax profit of £171,000 last

The group blamed its trad-ing problems on a lack of con-tracts from the local authority market and disappointing sales of card terminals.

sales of card terminals.

ISS, the Damish cleaning group, which is making the bid for Malumet, yesterday posted its formal offer document. ISS is offering 10p per starts and already holds 11.2 per cent of the equity.

Hazlewood purchase

Haxlewood Foods is to pay Fl 13m cash (£4.1m) to acquire the outstanding 30 per cent of Fri-D'Or. In the year to March 31 1989 it reported sales of £28.9m and pre-tax profits of

BOARD MEETINGS

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PUTING DATES			
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DUSTRY

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	Current payment	Date of payment	Corres - panding dividend	Total for year	Total last year
int fin fin	1.4 6.6†	May 4 Apr 18	1,4 4.5 1,6	10 4.3	4.8 6.5 3.6

Dividends shown pence per share net except where otherwise stated

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. Agent and Arranger

◆ THE MITSUBISHI BANK, LIMITED

UK COMPANY NEWS

reduced.

Hostile conditions in the property market claim another victim

Bryant declines 53% to £14.7m as housebuilding demand subsides

200

BRYANT GROUP has become yet another casualty of the straitened property market as it yesterday reported that pre-tax profits fell nearly 53 per cent in the six months to

November 30 1989. The Midlands-based housebuilding and construction group recorded pre-tax prof-its of £14.7m (£31.1m). This was achieved on turnover 15 per cent down at £145m (£170.9m).

The sector's problems have been well flagged and Bryant's shares slipped only

STOCK DOTE ALL RESIDENCE AND ADDRESS AND A

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Corres - Total Tall pending for in

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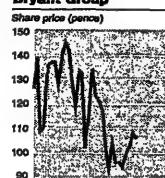
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Ip to 106p yesterday.

Mr Chris Bryant, chairman, said he thought that the property market had now bottomed out and that since the beginning of this year the group had achieved reason-

During the half year the housebuilding division expe-rienced a big fall in demand and turnover fell to £78.8m (£117.8m).

Bryant Group



Sep'87 88

directors of Easterbrook and

certain other shareholders representing about 29.7 per cent of

£13.2m white knight hid last weak is rivalled by a £11.5m contested offer from James Wilkes, a listed engineering, printing and packaging com-

INDUSTRY AND THE ENVIRONMENT

The Financial Times proposes to publish a Survey on the above on

16th March 1990

For a full editorial synopsis and advertisement details, please contact:

Alison Barnard

on 01-873 4148 or write to ber at:

er One, Southwark Bridg

codes SE1 9HL.

FINANCIAL TIMES

Wilkes has claimed receipt of irrevocable undertakings to accept its offer in respect of more than 50 per cent of the shares. However holders of 9 per cent of the shares are con-testing the validity of the undertakings in a High Court



Chris Bryant: since the heginning of the year the group had achieved reasonable sales

profits came as little surprise given the state of its markets. and prospects, too, will be almost entirely dependent on the outlook for the property sector. At the moment that seems far from clear. Bryant claims the market has bottomed out and home sales are picking up but confidence is thin and the sector still appears to be perilously pre-carious. Until firmer evi-dence becomes apparent one way or the other, Bryant's shares are not likely to go anywhere in the short term. A prospective multiple of just over 10 on annual pre-tax profits estimates of about 230m, therefore, seems a fair evaluation. But for those who

play for the long term, Bryant looks attractive. English China Clay's near 30 per cent holding - the legacy of a failed takeover attempt in 1987 - may possibly be up for grabs given the company's present diffi-culties, throwing in another attraction for the

Property Co buys

rest of Collingtree Property Company of London has acquired the remaining 50 per cent of the B ordinary shares of Collingtree Leisure it does not already own for £2.1m cash. The Property Company already owns the entire issued buy housebuilding stocks on a counter-cyclical basis and

£28m sale by Priest Marians to meet loan

repayment By Paul Cheeseright, **Property Correspondent**

PRIEST MARIANS Holdings, the property group troubled by cashflow problems since it paid £111m for Local London Group early in 1989, has sold a a building in Kensington, London, to a group of private investors for £25m.
The sale enabled Priest Mar-

ians to meet – slightly late – a scheduled £20m repayment to Samuel Montagu and Sumitomo Bank, a tranche of the £72m loan facility taken on to buy Local London. The next

tranche is due in Angust.
Priest Marians, which is 25
per cent owned by JMB Realty
of Chicago, yesterday saw its
share price slip 2p to close at
153p. The shares have been epressed since the beginning of last week, the market believing that JMB is more likely to make a takeover bid for Rosehaugh than it is for Priest Marians.

Brent Walker pair leave Trilion board

Mr George Walker, chairman of Brent Walker, the leisure and property group, has resigned from the board of Trilion, the USM-quoted television production company.

This follows a placing of Brent Walker's 17.47m shares with institutional investors two weeks ago. Mr John Quested, who joined the board with Mr Walker in May 1988, has also

ELECTRICITY INDUSTRY

The Financial Times proposes to publish a Survey on the above on

29th March 1990

For a full editorial synopsis and advertisement details, please contact:

Ian Ely-Corbett

on 01-873 3389 or write to him at: Number One, Southwark Bridge London SE1 9HL

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THE NORDIC FINANCIAL & **INVESTMENT CENTRES**

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FINANCIAL TIMES

Record increases stake in Easterbrook

The sharp fall in Bryant's

Construction activities had

"satisfactory" six months

with an improved perfor-

Sales grew to £50.2m (£38.6m) and the division cur-

rently had £80m's worth of

forward orders.
No divisional profits break-

down was given, but Bryant said that non-housing activi-ties now accounted for about

a third of operating profits, compared with around 20 per

The interest charge was

Earnings fell sharply to

substantially higher at £4.2m (£1.7m).

4.7p (9.9p) after tax of £5.1m (£10.9m), but the interim divi-

dend is held at 1.4p.

& COMMENT

cent last time,

By Vanessa Houlder

RECORD HOLDINGS, a power tool maker which is embroiled in a three-way struggle for Easterbrook Allcard, a private cutting tools business, yesterday announced that it had bought 3.1 per cent of Easterbrook's shares from the Rowntree Pension Trust sion Trust.

Record has also received irrevocable undertakings from

the ordinary shares.

Record which launched its

This was yesterday adjourned for two weeks.

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This advertisement is issued in compliance with the regulations of the Council of The International Stock Exchange of the United

to be known internationally, following the intended merger referred to below, as

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and

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Brokers to the Introduction

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It is expected that The Mitsui Bank, Limited will, with effect from 1st April, 1990, merge with The Taiyo Kobe Bank, Limited (and thereafter become known internationally as The Mitsui Taiyo Kobe Bank, Limited).

The Council of The International Stock Exchange has agreed to admit to the Official List all the shares of common stock of ¥50 par value each ("Shares") in The Mitsui Bank, Limited. Application has also been made to the Council of The International Stock Exchange for the Shares to be issued in connection with the intended merger with The Taiyo Kobe Bank, Limited to be admitted to the Official List and it is expected that listing of such Shares will be granted on Friday 29th June, 1990. At 31st January, 1990 1,877,267,856 Shares were in issue and 46,624,364 Shares were reserved for issue. Dealings in the issued Shares will commence at 9.00 a.m. today. 14th February, 1990, and dealings in the Shares to be issued in connection with the merger are expected to commence on Monday, 2nd July, 1990. The Shares are already listed on the Tokyo Stock Exchange, the Osaka, Kyoto and Sapporo Securities Exchanges and the Frankfurt, Paris, Zurich, Geneva and Basle Stock Exchanges.

Listing Particulars relating to The Mitsui Bank, Limited are available in the statistical services of Extel Financial Limited. Copies of the Listing Particulars may be obtained during normal business hours (Saturdays excepted) up to and including 16th February, 1990 from the Company Announcements Office, The International Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 28th February, 1990 from:

Mitsui Finance International Limited 6 Broadgate

London EC2M 2RQ

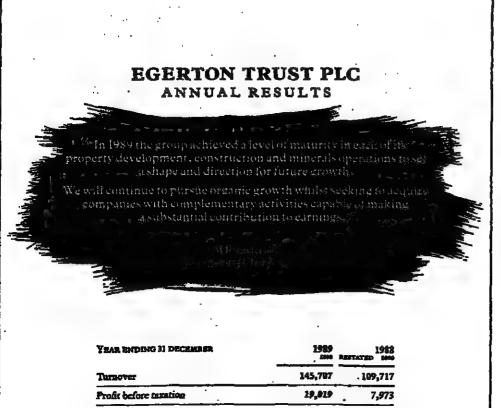
Barclays de Zoete Wedd Limited 2 Swan Lane

London EC4R 3TS

Taiyo Kobe International Limited Jupiter House

Triton Court 14 Finsbury Square London EC2A 1AL

14th February, 1990



Year ending 31 december	1989	RESTATED 500	
Thruover	145,707	. 109,717	
Profit before taxation	19,019	. 7,973	
Tenation	(5,015)	(2,761)	
Profit appributable to shareholders	11,350	4,494	
Earnings per share	25/09	11.12p	
Ordinary dividends per share	15,000	6.50p	



Mowlem makes £33m provision for City airport

MOWLEM, the construction group, has made an exceptional provision of E33m in its 1989 accounts, to offset delays in developing the full profitability of Lon-don City Airport.

The company owns 90 per cent of the airport. The other 10 per cent is held privately Mr David Goldstone,

chairman of Regalian. Sir Philip Beck, Mowlem chairman, said yesterday that the board had decided to make the provision after considering the full implications of the Secretary of State for the Environment's decision in October to order a public inquiry into an extension for

the airport runway.

Before it made the provision, the company had also waited for the conclusions of a financial appraisal on the long-term viability of the airport undertaken by J Schroder Wagg. The Schroder Wagg. The appraisal was based on a study by the Polytechnic of

in PARIS:

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FINANCIAL TIMES, please contact:

Côte d'Azur: Jeremy KEELEY



Sir Philip Beck: confident about the outcome of the inquiry but not about the timing

Central London. London City Airport has consistently incurred losses since it was opened in Octo-

ber 1987. The inquiry is due to start in July this year and is not expected to reach a conclusion before early 1991.

It will examine proposals put forward by London City

Airport to extend the runway by 169 metres and change the angle at which aircraft can land from seven and a half degrees to five and a half

These proposals would allow the airport to handle jets such as the British Aerospace 146, which have more range, passenger capacity

Sanderson Electronics, the

Sandersen Electronics, the USM-quoted compaier systems supplier, yesterday disclosed the second-quarter results of General Automation, the US company in which it has conditionally agreed to acquire a 51 per cent stake.

Net income of the California-based company in the

is-based company in the period totalled \$23,600 (213,662) compared with a loss of \$388,000 in 1988.

In spite of an adverse business climate in the industry GA's enterting profits before

GA's operating profits before interest charges improved to \$147,000, against a loss of \$683,000 last time.

The latest figures were th

fourth successive quarter's profit announced by the com-

Lloyds Chemist buy

Lloyds Chemist has acquired a

trading pharmacy business and certain assets from FW Wood and Son (York) for about

2540,000, satisfied by the issue of 272,733 new ordinary.

pany, said Sanderson.

General

Automation

in the black

and are faster than the De Havilland Dash 7 turboprop aircraft which at present fly from London City. Mowlem said the earliest it could oper-ate the new aircraft would be

The company argued that the proposals would increase the profitability of the air-port, which is dependent upon landing fees for much of its income. At present it han-dles 58 air movements (take offs and landings) during the

week, with permission to operate 130.

The company said the abil-ity to use BAe 146 aircraft would make the airport much more attractive to airlines. It has already had inquiries from Crossair to fly from the airport to Zurich, Geneva and Lugano at least three times a

"We are confident of the right decision at the inquiry," Sir Philip said. "What we are not confident about is the timing of that

In the long term, Sir Philip said he was confident of the future of the airport, particularly with present invest-ments in improved infra-

structure for docklands. By December 1991, the air-port will be accessible by the Dockiands Light Railway in about 25 minutes from Bank underground stat-

He does not believe that Stansted Airport, which will be linked to Liverpool Street Station by March 1991, will be a competitor because it will initially be concentrating on charter traffic.

Sir Philip said that if the company lost the inquiry, it would consider the future of the airport in the light of its risting profitability.

He added that the provi

sions made would not affect the company's final dividend for 1989 when the results are

Further disposals raise

CHARTERHALL, the listed UK subsidiary of Westmex, the Australian investment group run by Mr Russell Goward which last week went into liq-uidation, has sold both its North American oil and gas North American oil and gas interests and its 27.6 per cent stake in Bridport-Gundry, the UK rope and neiting company, writes Clare Pearwin.

The company has raised an aggregate £3.75m through the sale, which takes account of a loss of shout £3.1m on the dis-

£9.75m for Charterhall

loss of about £3.1m on the dis-posal of the Bridport-Gundry shares compared with their balance sheet value as at June 30 1969.

Charterball Oil North America and Charterhall Canada Holdings are being sold for a total consideration of \$10.27m cash to Aviva Petroleum, the UK independent oil exploration

company.

Last week, when Westmax called in the liquidators, Charterhall said it would continue to be supported by the Bank of New South Wales, its main

Australian banker.
The disposals follow the saleof part of the 29.9 per cent

Glasgow-based retailer, amounced earlier this week. Both investments were included in the non-core hold-ings which Charterhall said it was putting up for sale last year. Charterhall's shares were pended last December when Westmex entered emergency talks with its bankers.

Charteriall Oil's seems com-prise producing oil and gas interests in the US, refining and marketing operations in the US, and a 62 per cent share-holding in Red Cliff Energy, a Canadian oil and gas produc-

Charterhall Canada's principal asset is a C\$1.7m loan note from Red Cliff.

Aviva plans to sell off the downstream activities of Charternali Oil and agreement in principle with a potential pur-chaser has been tigned.

It plans to execute a losu agreement with the prospec-tive purchaser of \$2.2m, where \$1.1m will be applied to repay-ment of outstanding indebted-

Handley-Walker £0.85m acquisition

Handley-Walker, a USM-quoted management consultancy, has acquired Batalas for 2850,000. Consideration is satisfied by 2450,000 cash and the balance

in shares. Batalas, which specialises in Batalas, which specialises in quality management consultancy, quality training and systems implementation, announced pre-tax profits of 2120,000 for the nine months to December 31 and at that date had net assets of 250 cm.

New trust from the Aberdeen stable

By Clare Pearson

ABERDEEN FUND Managers is launching the latest in a spate of trusts devoted to investment in Continental Europe – the £40m Abtrust New European Investment

It is being sponsored by James Capel which has arranged underwriting for 30m shares. The remaining 10m will be offered to private investors by way of an offer for subscription at 100p each. Shareholders will receive warrants on a one-for-five basis and there is a minimum

investment of £250. Aberdeen Fund Managers said the trust will draw on the experience of the Abtrust European Fund, a unit trust it

It claims that it will differ It claims that it will amer-from large European invest-ment trusts, with broad-based portfolios, and smaller trusts invested in one country, in that it will have an initial emphasis on the smaller stock markets.

Spain and Austria are expec-ted to be the two biggest com-ponents of the initial portfolio, accounting for 15 per cent apiece. It will be relatively underweight in West Germany, investing an initial 12 per cent of funds in this mar-

The trust takes the view that, in spite of data demon-strating that the Spanish economy is slowing, economic growth remains impressive and the market is now at a level where selected equities

offer good value. In Austria, it believes that exports to Eastern Rioc countries will continue to grow strongly, helped particularly by the further liberalisation of the Hungarian economy.

 Bdinburgh-based Martin Currie Investment Manage-ment has launched a \$23m ment has launched a 223m investment trust, the New European Investment Trust, simed at private investors. Together with warrants on a one-for-five basis, 25 per cent of the issue is being offered for subscription in the public. The trust expects that initially, the majority of the portiolic will be invested in West Company. Transce Halv. Swith.

Germany, France, Italy, Switzerland, the Netherlands and

Spain.

• J Henry Schroder Wagg is taking advantage of new Stock Exchange regulations, intro-duced last week, which for the first time allow investment trusts and companies which are greater than £15m to be launched by way of a placing rather than an offer, provided they are aimed specifically at

Schroder is launching the Schröder Japanese Warrant Fund, a \$70m (£42m) closed-end investment company, which will invest in an actively managed portfolio of Japanese equity warrants.

NEWS IN BRIEF

CI GROUP has extended its foundry interests by acquiring Wombwell Foundry (1982) for £1.19m, satisfied by £743,000 cash and the issue of £444,000 unsecured guaranteed loan notes. For the year to January 31 1989, Wombwell made pre-tax profits of £291,000 on turn-

CLOSE BROTHERS has sub-scribed £800,000 for convertible loan stock in Jackson-Stops & Staff and Mr Peter Stone and Mr Peter Winkworth have joined Jackson's board. The stock issue is convertible into a significant minority holding. COOK (WILLIAM): Rights

issue taken up in respect 4.09m shares (89.5 per cent). DEVENISH (JA) has purchas the Bell Hotel, Aylesbury, and The George, Twickenham, for

EUROPEAN ASSETS Treat saw not asset value increase from FI 6.77 to FI 6.87 in the 12 months to December 31. Net income for 1989 was FI 4.07m (£1.27m), against Fl 3.4m. Earnings per share were Fl 0.16 (Fl 0.14) and a final dividend of Fl 0.1 (Fl 0.08) is proposed making a total of Fl 0.14

PLEMING AMERICAN Investment Trust had a net asset value of 202.5p per share at value of 2/2.59 per share at December 31 compared with 143.5p a year earlier. Net revenue was 21.12m (2853,000) for earnings of 1.65p (1.24p) per share. A final dividend of 1p makes 1.5p (1.2p) for the year. GRAYLING, part of Lopes, has accorded 80 per cent of Corolle. acquired 80 per cent of Corolle, a French PR agency, for

£188,000 cash. R & H HALL's substillary R & H Hall (GB) has acquired Dower Wood Grain and Shipping for a consideration of \$2.1m of which £1.95m is being neid in loan notes and the remainder in cash. INDEPENDENT INVESTMENT

Company: Net asset value was 73.6g at December 31 against 69.4p a year earlier. For the six month period net revenue declined to 295,000 (£706,000) for earnings per share of 0.1p

JOHNSON GROUP Cleaners has extended its US network with the acquisition of Mr Todd Your Cleaner, a Cleve-land-based chain of dry cleaners. Johnson is paying \$4.55m cash and a possible further payment up to \$450,000, depending on future profits. LIMITED INC reported net sales up 14 per cent from \$4.07bn to \$4.65bn for the 53

OCEAN TRANSPORT and Trading has bought, through its distribution division, the freehold property and related warehousing and distribution business of Livingston Allpak (UK) in Watford Village, Northamptonshire, for £9.15m. QUADRANT GROUP has fore cast that pre-tax profits for the year to February 28 will be not less than £5m (£4.4m), falling short of current market growth expectations. In response to the sales downturn, the com-pany is substantially reducing the cost base to improve oper-ating profitability for the com-ing financial year. RADIOTRUST, the radio sector

investor 39.8 per cent-owned by Associated Newspapers, had a net asset value of 102p per share at January 31. Revenue for the period May 26 to January 31 was £116,000. Post-tax revenue was £4,000 for earnings per share of 0.09p. Company also intends to raise about £4.16m by way of a rights issue of 4.3m new ordi-

SLEEPY KIDS, the cartoon company traded on the Third Market, has appointed Telso International, a subsidiary of TVS Entertainment, to distribute Potsworth & Co, a televi-sion series, in Continental

UNILEVER has acquired Costsblanca Group, an olive and other table oils concern based in Valencia, making it one of the leading olive oil manufacturers in Spain. Costablanca has a turnover of about Pta12.5bn (£70m) and employs

WHEWAY has paid \$3m cash for EFC, a manufacturer of filters for heating, ventilation and air conditioning, based in Santa Rosa, California. Pre-tax profit was \$224,000 on turnover of \$6.8m for the year ended

Egerton Trust more than doubled at £19m

By Vanessa Houlder

EGERTON TRUST, the property, minerals, contracting and construction group, yesterday announced pre-tax profits for 1989 more than doubled from £7.97m to £19.02m. Turnover increased from £109.72m to £145.71m.

Mr Frank Sanderson, chair-man and chief executive, said that the group had produced an excellent result in difficult and uncertain conditions. "1989 was not easy and I don't think that 1990 will be easy either.
We have to be fairly quick on

The main profit increase came from commercial prop-erty, although housebuildingproduced satisfactory results in spite of a poor performance

High interest rates and eco-nomic uncertainty sharply depressed residential and com-mercial property sales in the last quarter, with the result that year-end gearing was higher than expected at 105 per cent. However net interest charges were kept down to 2843,000 (£2.12m) as 83 per cent of borrowings were in dollar locus, matching dollar assets, at interest rates of less than 8

per cent. Following a review of the construction business, the maintenance and small works division of Trentham has been closed, leading to an extraordinary write-off of £2.80m.

The US operations reported a loss as a result of a slump in the minerals, ready-mixed concrete and housebuilding busi-

The company expects a major uplift in profits in UK housing in 1890, particularly as the company avoided buying new land at the higher prices demanded in 1988. High interest rates are less influential them constraints are less influential them. than generally assumed, said

Mr Sanderson.
After withdrawing from healthcare in the autumn, Egerton is concentrating on property development, housing, minerals and construction. Mr Sanderson said the group had no plans for further dispos**Egerion Trust** Share price (pence) 220 200

1989 1988 Negotiations were continu-

Negotiations were continuing with the Association of British Insurers to find a formula whereby preference shareholders would agree to a buy-back of shares.

Earnings per share increased from 11.12p to 29.42p. A final dividend of 6.5p is declared, making a total of 10p — an increase of 54 per cent.

Egerton has changed its shape so many times since Frank Sanderson — a former chair-man of Bovis — took control four years ago that it is no wonder that the market has become rather confused. Indeed, the changing mix of indeed, the changing hix or healthcare, aggregates, prop-erty, construction and con-tracting can partly be blamed for the 29 per cent fall in the share price over the past 18 months. But now it has exited from healthcare and tidied up from healthcare and tidied un the construction interests, Egerton has emerged as a more coherent group with a mix of cash generative and cash hungry businesses. As a result, the share price may start to shrug off the difficulties of the markets in which Egerton operates. Following a plucky state-ment and a better-than-expected dividend, the shares rose 3p to 157p yesterday.
Assuming pre-tax profits of
£29m, that puts the company
on an undemanding p/e ratio of 4 and a generous historic yield of 7 per cent.

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Magnet issues writ against **Bourne End Properties**

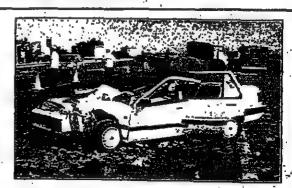
By Maugle Urry

als and acquisitions.

Magnet, the loss-making and heavily indebted kitchen and bathroom retailer, whose week vots on a refinancing package, has issued a writ against Bourne End Properties in an attempt to force it to complete a 233m property deel. Last October, Bourne End

agreed to buy 28 properties from Magnet as part of a sale and leaseback package which

However, Bourne End. took advantage of a clause in the contract not to complete the deal as it plans to sell some of the properties on to other buy-



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"We started 1990 with a big order backlog and a high rate of installations. New orders continue to hold up and we believe the major new products due to be introduced in the next few months have excellent prospects. We hope to go on earning good margins and to improve the cash position further." Glen Renfrew, Managing Director and Chief Executive.

PRELIMINARY RESULTS TO 31 DECEMBER 1989 (unaudited)

	Year to 31 December 1989			ectivities 1988	Difference
Revenue	1,186.9	1.910.9	1.003.3	1,615.2	+18.3
Pre-Tax Profit	283.1	455.7	215.4	346.7	+31.4
Taxation	101.9	164.1	81,2	130.7	+255
Profit after tax	181,2	291.6	134.2	216.0	+35.0
Dividend	54.0	87.0	37.3	60.0	+45.1
Earnings per Share (ADS)	43.6p	(\$2.11)	32.1p	(\$1.55)	+36.1

Note: The above unaudited financial information has been prepared in accordance with UK GAAP and does not comprise full accounts within the meaning of the Companies Act 1985. Audited consolidated financial statements of Reuters for the year accounts within the meaning of the Companies Act 1985. Audited consolidated financial statements of Reuters for the year ended 31 December 1989 will be delivered to the Registrar of Companies Indiowing the AGM on 26 April 1990. For commission the US dollar equivalents for both years have been converted at a buying rate at 31 December 1989 of US\$1.61 to \$1.

HIGHLIGHTS

Earnings per share growth strong.

□ Good progress in media markets.

Information and transaction products performed well.

Longer-term growth rate of discretionary costs reduced.

□ New communications networks bringing benefits.

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UK COMPANY NEWS

Whyte & Mackay bidder says its product exploits existing market

Burn Stewart scotches criticism

By James Buxton, Scottish Correspondent

BURN STEWART, the Whyte & Mackay's banker for strong profits to invest in large Glasgow-based whisky com-pany which has emerged as a contender to buy Whyte & Mackay, the distiller, from Brent Walker, the leisure and property group, yesterday rejected suggestions that it was an inappropriate company to make a bid for one of the major forces in the Scotch whisky industry.

Burn Stewart is competing with a management team from Whyte & Mackay led by Mr Michael Lann, its managing director, Initially the two contenders ware in a civit removes tenders were in a joint venture, but this collapsed, provoking acrimonious charges by both

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companies. Mr Lunn is angry that Charterhouse, the merchant bank owned by Royal Bank of Scotland, is backing Burn Stewart's bid, since Royal has been

Strong

growth at

Huntingdon

FIRST QUARTER results from

Huntingdon International Holdings again displayed the group's strong profits growth. In the period to December 30

1989 pre-tax profit rose 27 per cent, from £2.88m to £3.67m.

The life sciences segment of the business, based in the UK, recorded steady growth while maintaining historic margin

levels. Capital investment was expected to exceed that of the

previous year. In the US, engineering and

environmental services expe-rienced strong sales growth, with healthy contributions

ter remained a critical fac-

Revenues, 65 per cent of which came from US-based

businesses, increased from £17.42m to £23.76m. Earnings in the opening quarter rose to 0.031p (9.025p).

Asset rise for Fleming

Fledgeling :

to £446,317 (£99,533).

£587,569 (£486,322).

Net asset value per share of the Eleming Fledgeling Invest-ment Trust amounted to 264.5p at end-December 1999-against 235.1p a year earlier.

Gross revenue for the year improved from £966,584 to

whyte a macray's banker had 20 years.

He is also annoyed that Murray Johnstone, the Glasgow fund manager, stopped advising the buy-out team pleading conflict of interest, temporarily disrupting the scheme. Both

Murray Johnstone and Char-terhouse have had stakes in Burn Stewart since 1988 when they assisted a management buy-in of the company by Mr Bill Thornton, a former finance director of Hiram Walker, the drinks company.

Mr Thornton, managing director of Burn Stewart, said

yesterday:"There's a perception of the company that we're a barnacle on the industry's bottom. That's not true." He said that when he acquired it Burn Stewart had been solely a whisky trading company but it had used

stocks of whisky and was now a substantial sclier of bulk blended and bulk malt whisky, as well as bottled products, although it does not distill its own whisky. It had annual sales of about \$30m and made pre-tax profits in the year to June 30 1989 of £4.9m.

June 30 1989 of 54.9m.

Mr Thornton denied allegations that Burn Stewart was flouting the policy of the Scotch whisky industry towards Japan with its supplies of a so-called new spirit", which are weaker than whicky and have recently been whisky and have recently been promoted in Japan to avoid the full duty lavied on proper whisky. They have been whisky look-alikes because of their appearance and labelling.
Last year Mrs Margaret
Thatcher, the Prime Minister,
urged by the Scotch Whisky Association complained to the Japanese government that new spirits, were competing unfairly with Scotch whisky. Mr Thornton said that Burn Stewart's product Different Class, sold by Toyo Juzo, its Japanese distributor, was not a whisky and was not labelled to blook like a whisky. It was a blend of mait whisky with neu-tral alcohol distilled in England and was bottled in

"We're just exploiting a market segment that exists," he said. "We're not ashamed of it. We have had no indication directly from the SWA that they would prefer that we stop supplying this product.

They made comments that

we addressed in the final design of the label. It is a small and not important part of our

BHH plans management buy-out

By Paul Cheeseright, Property Correspondent

THE MARKET value of BHH, the property group, has jumped over 20 per cent since Monday when it was announced that Mr David Firsgerald, chairman, was marshal-ling financial resources for a

management buy-out.
The shares, which had been trading near their 1989-90 low, stood at 120p yesterday, valuing the company at £46.7m.

BHH is strongly represented in the West Midlands. It has a portfolio made up largely of industrial properties, some for investment and some for development and some for development.

opment and trading. In the last two years indus-trial property has been provid-ing higher returns than either office or retail property. The company managed to sell off its residential properties when the market was high in 1988.

But the move towards a management buy-out does not seem to be near completion. An announcement from Barclays de Zoete Wedd on behalf of the company and its independent directors said no more than that it had been told by Paribas, acting for Mr Flizger-ald and Mr Robin Bagnall, the finance director, that Paribas "has approached potential

"nas approached potential sources of finance for a management buy-out proposal."

Mr Fitzgerald, on the assumption that his options are taken up, has a stake of 8.47 per cent in the fully diluted share capital. He is the second largest single share-holder, after MIM Britannia which controls 8.69 per cent.

which controls 8.69 per cent. Like other property compa-nies, BHH has recently traded at a sharp discount to its net

asset value. RHH's last unblished net asset value, for the year to December 1988, was 120p per share. But Paribas, the company's broker, recently estimated its current not asset value at 205p, with a break-up

value at 205p, with a break-up value of 158p.

Takeover hids in the property sector have been pitched below the net asset value, leaving the bidder room for manoeuvre. But the more development properties there are in the portfolio, the more difficult the company is to value in a market where returns are sliding.

The possible management buy-out is the third significant

buy-out is the third significant corporate move in the property sector in the last week, following Rosehaugh's rights issue and the P&O-Chelsfield bid for Laing Properties.

SEAT to acquire **UK** distributorship from Lonrho

By Kevin Done, Motor Industry Correspondent

SEAT, the Spanish subsidiary of West Germany's Volkswagen group, is taking over its UK distributorship SEAT Con-cessionaires (UK) from Lourho, the international trading

group.
SEAT cars were launched in the UK in late 1985, Car and light van sales last year totalled 11,255, but fell well below the company's original target of 15,000. SEAT cap-tured 0.45 per cent of the UK new car market, virtually unchanged from 1988.

As a subsidiary of Lourho, SEAT Concessionaires (UK) has made losses each year since its formation, although the deficit was substantially reduced in 1988-88 and the company is hoping to break even in 1990. Lonrho's contract with SEAT ran out at the end of 1989.

Both Lonrho and SEAT refused to disclose financial details of the deal. SEAT said that it was plan-

ning to make an immediate equity injection of £4m into the company, which is to be renamed SEAT (UK). It has ambitious plans for expanding its presence in the UK, and is to double its mar-

keting expenditure to 211m this year.
It is aiming to increase its UK dealer network from 180 to 220 during the next 14 months in preparation for the launch next year of the SEAT

Toledo which will be added to its present Marbella, Ibiza and Malaga small and medium car ranges.

The Toledo will move
SEAT further up market and
for the first time will take it
into the UK fleet car market



Paul Spicer: Louriso retaining

Sierra and the Vauxhall Cav-

aliar. Mr Juan Jose Diaz Ruiz, SEAT executive vice president for sales and marketing, said that SEAT was aiming to increase its UK vehicle sales to about 15,000 this year and

to about 15,000 this year and to more than 50,000 in 1995. The acquisition of the UK importer/distributorship is the latest step in SEAT's European expansion and fol-lows similar moves in West Germany in 1985 and in France in 1988. It also acquired a 35 per cent stake in its Italian distributor in

The SEAT UK dealer network will continue to be operated entirely separately from the VW/Audi franchise, VAG (United Kingdom), which is also owned by Lonrho and is one of its biggest subsid-

Mr Paul Spicer, a Lonrho director, said "there is no intention of us giving up anyin direct competition with models such as the Ford apart from SEAT.

1990 Warning to Investors from **Discount Brokers International**

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from recently acquired sub-sidiaries. With a high pro-portion of engineering ser-vices related to outside projects, weather conditions in the January/March quar-Inflation and sterling hit

International Business Machines outperformed the parent as a whole in 1989, but still produced profits significantly down on the previous

£4.19bn but pre-tax profits dropped 11.5 per cent to £459m. The overall profit margin fall from 18 per cent to 11 per cent. The company last month reported sales up 5 per cent to \$62.7hn in 1989 with pre-tax

21.58m but management expenses rose to 2326,011 (£236,690) and interest charges In the UK, homes sales improved 21 per cent to £2.1bn while revenues from the After taking account of a 277,313 rise in tax to £221,846 exports of goods and services declined by 8 per cent to

available revenue emerged at Earnings worked forough Sp ahead at 4.67p and a final and Greenock, Scotland, plants shipped substantially more

units than 1988, but adverse

rather than buying them

IBM's operation in UK THE UK subsidiary of exchange rates and the maturity of the company's current offerings had hit exports. Profits were down, he said, because of a combination of rising UK inflation and a decline in the value of sterling. There are other factors.

profits down 35 per cent to \$3.76bn.

Mr Tony Cleaver, chief exacutive of IBM (UK), said the company's Havant, Hampshire,

There are other factors. IBM's mainframe computer family is coming to the end of its life and customers are bedg-ing their options for the future by leasing large computers

IBM is itself a large player in noted: "The overall value of leases written in 1989 grew by a source of stable; growing

A switch to leasing has the profits for a manufacturer in the short term against regular cash flow in the longer term.

Bryant. Fighting fit for the 90's.

Bryant has started the new decade leaner, fitter and hungrier.

The Group has just won the coveted Express Newspapers "Housebuilder of the Year" award (volume housebuilding category) - an outstanding achievement in these generally difficult times.

And for good reasons. There is always a demand for quality and Bryant still provide it competitively because of the Group's carefully managed landbank.

Similarly, sound management policies are ensuring good health in our Property and Construction divisions too. In short, the Group is well balanced, both

operationally and financially, and enters the 90's from a position of strength.

Half year ended 30th November 1988 Turnover £145.0m £170.9m £14.7m £31.1m Profit before taxation 9.9p Earnings per ordinary share 4.7p Dividend per ordinary share 1.4p 1.4p



For a copy of the Interim Report write to Chris Bryant, Chairman, Bryant Group plc, Granmore House, Granmore Boulevard, Solihull, West Midlands BS90 4SD.

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TRADE FINANCIERS A CONCEPT FOR THE NINETIES CASH (LIQUIDITY) REQUIREMENT LIMIT OF SECURED WORKING CAPITAL OVERDRAFT ETC. AVAILABLE FROM BANKS SECURED LONG TERM BORROWING

FINANCING THE FUTURE

If your company has a turnover in excess of one million pounds, is profitable and could benefit from short term trading funds without encumbering your assets, then contact our Business Development Office at:

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COMMODITIES AND AGRICULTURE

Compensation doubled for 'mad cow' disease

By David Blackwell

BRITISH FARMERS with cattle infected by the so-called mad cow disease will from today get 100 per cent compen-sation. Since August 1988 compensation for compulsory laughter of cattle suffering from the disease - bovine spongiform encephalopathy as been set at 50 per cent.

Mr John Gummer, Minister of Agriculture, was cheered as be told the Netional Farmers Union annual meeting yester-day that he was doubling the compensation, up to a ceiling

of the average market price. More than 10,000 cattle have now been slaughtered. At first it seemed right that farmers should bear some of the cost of the outbreak, Mr Gummer said. But even without new infection the number of cases of cattle would continue to rise and could not be expected to decline until after 1995.

"There are cases in an increasing number of herds and an increasing proportion of these herds have lost more than one animal," he said. He insisted that the safety measures undertaken by the Government already would protect the health of the pub-

In addition, Mr Gummer announced increased compen-sation for poultry farmers ordered to slaughter salmonella infected flocks, although he Earlier, Mr Gummer was greeted on arrival at Kensing-ton town hall in London by

SCOTTISH SALMON fortours

were told by a leading figure in the Norwegian salmon-farming

industry yesterday that Nor-way's salmon output will grow more slowly in the next two to

three years, but it is still

expected to exceed current lev-

Mr Paul Birger Torgnes, sec-retary general of the Norwe-gian Fish Farmers' Associa-tion, was addressing the

annual Scottish fish farming

conference in Edinburgh after

a year in which overproduction of Atlantic salmon by Norway,

the dominant producer and

exporter, has sharply depressed prices for all saim-

last month of an intervention

buying system in Norway financed by an export levy, and

recently triggered an inquiry

by the European Commission

into allegations by Britain and Ireland that Norway has been

dumping salmon on interna-

Mr Torgnes said that

recently-introduced measures

to freeze about 40,000 tonnes of

tional markets.

on-producing countries.

By James Buxton, Scottish Correspondent

MR GUMMER was urged to take a more positive attitude to the profitability of farming by Sir Simon Gourlay, NFU president. "Apparently it's sinful if farmers make a profit, wonderful if everybody else does," Sir Simon told delegates. He said that over the last 10 years the Retail Price Index had risen by 103 per cent, while farm gate prices had risen by "a mere 44 per cent."

mere 44 per cent."

In the same period, electricity prices had risen by 109 per cent, rail fares by 142 per cent and water prices by 162 per cent; these were likely to rise by 5 per cent over the RPI in the next few years. "We farmers will have to absorb those increases and at the same time receive less for what we produce. It is not surprising that our return on capital is risory and year by year our investment is falling."

farmers protesting over the Green Pound, the artificial exchange rate at which EC farm prices are translated into sterling. British farmers face a disadvantage because the Green Pound is overvalued in

relation to sterling.
But he opened his speech by
assuring delegates that he had always attacked the green pound and had never sup-ported it.

"It is wholly unacceptable that the producers of any country within a Common Market should get less for their products than their competitors simply because of monetary arrangements," he

But he pointed out that he was having to negotiate in Brussels with "11 countries whose farmers have an advantage under the present green pound rates." It would be an uphill struggle, for while "we, rightly, see a devaluation of the pound as reducing a disad-

Norway's expected output this year of 150,000 tonnes now

appeared to be working, after

some delay in getting the freez-

ing plants in action.

The aim was to get prices up to a minimum delivered price

of NKr40-42 (about £4.50) a

kilogram. Effective prices last year fell by up to 30 per cent,

affecting confidence in the rapidly-growing industries on both sides of the North

He said that reluctance by

Norwegian banks to finance further expansion of salmon

farming in view of the price collapse would help hold down expansion, as would measures to limit the transfer of young

sea, and the Norwegian Government's cancellation last year of a new round of

He said that production in the next two to three years

would level out at between

180,000 and 200,000 tonnes. Nev-ertheless the Norwegian fish-ertes minister had said be still

vantage borne by British farmers, it is too easy for others to see it as a special favour, purely for our benefit.

Nevertheless, the Govern-ment's objective was clear --in the single market of 1932 and beyond, there was no place for the Green Pound, he said. Mr Gummer said that reforms would have to con-tinue beyond 1992 with the aim of building a market where all farmers operated under the same rules. He pointed out that costs were also a major source of inequality as UK poultry producers knew. If we had to pay more to make our eggs safer, our competitors ought to bear the same cost, he said.

Nevertheless, farmers still had to ensure that they could meet the growing demand for high quality food. "If British farmers do not meet the demands of the consumer for top quality produce, we can be sure that French and German

thereafter at 10 to 20 per cent a

He envisaged the develop-ment of a two-tier market, with

the highest quality fish being sold to the fresh fish market and the more ordinary fish being processed and packaged for mass markets. The chal-lenge for the industry would be

"to communicate directly with

the individual consumer"

rather than the wholesale mar-

Scottish salmon output had risen from 18,000 tonnes in 1988 to 28,500 tonnes in 1989, a rise

of 37 per cent. By 1991 it was projected to reach 37,000 tonnes and 40,000 tonnes the

following year.
He also said that production of farmed shellfish in Scotland had not taken off in the way

that the industry had been

1425-7

Lord Sanderson, the Scottish

Mr Torgues said that salmon

Norway's salmon rise seen slowing

more widely known.

farmers in favour of a commu-nity-wide system — under which only farmers with less than 20 hectares would be eligihle - proved universally unpo-pular. It Britain it would mean that farmers would not get any aid at all. consumption should in future increase faster than production as the fish's qualities in pre-venting heart disease became

member states expressed con-cern at the Commission's plan to cut prices of fruit and vege-

Stocks problem

THE LONDON Rubber Trade Association's decision to stop quoting spot prices for RSS No it (ribbed smoked sheet) reflects the sheemer of stocks on which to base the price, Mr Hugh Proctor, the vice chairman explained yesterday, reports Reuter. The LRTA decided to stop delivered.

Ministers tentative on EC farm

price plans By Lucy Kellaway in Brusseln

A FIRST tentative step towards new price agreements for agri-cultural products was taken by European agriculture ministers after a two day meeting in

At a session described by one onlooker as "unusually low key" member states outlined their positions with a view to reaching final decision on the 1990-81 prices of everything from cereals to beef to dried fruit. British diplomats said that the meeting left the rish presidency on course for reaching agreement by the end of March, although other coun-tries seemed doubtful whether so many loose ends could be tied up by then.

In most eross there was little disagreement as to what amounts to a price freeze, although many of the technical details still propose problems. In the case of cereals, member states discussed ways of reducing the hardship caused by the so-called budget stahiliser, which automatically reduces prices by 8 per cent in the second year. A proposal to abolish the co-responsibility levy — which covers the stor-age of grain — appeared to be acceptable to most member states, although there was litthe agreement on what mea-sures, if any, would be needed

A plan by the Commission to scrap the present flexible sys-tem of subsidies for small

The Southern European tables by 7.5 per cent, even though most other countries accepted that a cut was necessary to bring supply and demand into balance.

halted rubber quotation

decided to stop daily spot quotes of the grade at a com-mittee meeting last week, along with weekly fixes for Standard Malaysian Rubber.

WORLD COMMODITIES PRICES

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34,658 John

Gold loan default fears 'overdone'

By Kenneth Gooding, Mining Correspondent

CONCERN THAT there would be a large number of defaults following the rush by mining companies to raise gold loans in recent years has been overdone, according to Ms Jessica Jacks, gold analyst with the RTZ Corporation, the world's

largest mining group.

"There is little chance of a gold loan failure causing a price squeeze in the physical market as a mining company attempts to cover loan repayments it cannot meet from its own production, she says in a paper prepared for RTZ.
So far only two, relatively small, gold loan defaults have been made public, while two other loans that seemed to be in danger were restructured. All four involved Canadian

"The gold loan industry as a whole has been very successful, with only a few failures. The amount of gold associated with the four known defaults is insignificant compared with the tomage of loans completed and those that have already been paid back," says Ms

The system involves a miner borrowing gold from a bank or banks, selling it for immediate cash to use for a new mine or expansion and then paying back in gold over several years Borrowing costs are low, Ms Jacks says they have ranged from 0.5 per cent to 3

becoming involved. More recently there have been market rumours that a number of mining companies were having production difficulties which might lead to defaults which would add up to a substantial tonnage of gold. However, Ms Jacks says there

The Growth of Gold Loans Outstanding loens 254.1 316.1 49.3 57.5

per cent a year, and this can also be paid in gold. At the height of the gold loan rush in 1988, Mr Robin Leigh-Pemberton, then Governor of the Bank of England, issued a public warning about the number of banks and inter-

seems to be no foundation for these suggestions.

The recent resurgence in the gold price has seen gold loan activity dry up. Ms Jacks sug-gests that mining companies will start to sell gold forward for hedging purposes and raise new gold loans once the price

ledge of the gold market reaches the \$425 to \$430 a troy ounce range. The average weighted price achieved for the known gold loans in the past was \$420 an ounce, although some companies locked in far higher

Witi

Ms Jacks suggests that gold loans are now so important they ought to be included in any assessment of the gold market's supply-damand balance and the size and value of the gold loan business, as well as changes in its structure, should be accounted for:

She concludes that gold loans put a downward pressure on the price because the mar-ket has to absorb the gold in a comparatively short period. This should be balanced by a longer-term positive impact because future gold production goes to the bank rather than to the market. In reality, because loans are paid back gradually over a number of years, the beneficial impact on the price is likely to be less pronounced than the original negative impact," says Ms Jacks.

Laying the groundwork for good coffee David Blackwell talks to the man in charge of tasting at Nestle

4 OOD COFFEE is hard to come by in spine of the lowest prices for 14 years, according to Mr Hayden Bradshaw of Nestlé. As chief coffee taster for the

company, which has 50 per cent of the UK's instant collecmarket, he remains puzzled by the fact that top quality coffee has for years attracted a premium of only about 20 per cent over the average product. He points out that the best tea can be four times the price of the poorest, and the best wines fetch a much higher multiple. Nobody has explained satisfactorily why - but it's some-thing to do with the quota sys-tem," he said in the tiny room in Croydon where samples from all the coffee coming into

the UK for Nextle are tasted. The export quota system - the mechanism chosen by the International Coffee Organisation to try to stabilise world prices — collapsed last July. Part of the reason for the demise of the quota system was its rigidity in the face of changing Western tastes. Consation, led by the US, were determined to get more of the top quality arabics coffees which their consumers were seeking in preference to the coarser robustas. Figures for the UK show the

trend. In 1980 two thirds of

imports were robustas and a tinird arabicas; last year only 40 per cent were robustas, and 60 per cent arabicas. The increas-ing discrimination of consumers has grisen partly because people now drink coffee with less or no will and es, or no milk and sugar. The British have been buying instant coffee for 50 years, probably because the UK is predominantly a tea culture and there has been no tradition of brewing coffee. Australia and Japan are similar market is.

The British coffee market is deminated by the instant coffee. dominated by the instant cof-fees, which take 98 per cent. Once the coffee beans have been accepted, a different set of testers make up the blend.
"A jar of Nescafe has to taste
the same, but buying coffee
beans direct is totally vari-

He is critical of the way the British treat ground coffee, and has a particular aversion to percolators - asserting that the best instant collees make a much better drink than a per-

If collec was not maltreated (he is aghast that some people actually reheat coffee in a microwave oven), consumption might increase in the UK as people asked for a second cup, he believes. He has often left earibbled notes on restaurants' table napkins either criticising or praising the quality of the

Mr Bradshaw and a team of four carry out their responsi-bilities for the continuing sup-ply and grading of all Nestle's coffee with a combination of acience and artistry. They have to match all the incoming samples against the standard grades that keep the tastes of the company's different instant coffees consistent. Meticulous records are kept.

The all on what it tastes like - we never have a description

or know the origin, shipper or supplier."
The science is applied at the roasting and grinding stage—consistency is maintained with the help of the only computer-controlled roaster in the councontrolled roaster in the country, which helps to ensure that all the green coffee beans are treated exactly the same before the artistry of the tasting. A bag from each load is kept so that disputes with a suppliers can be settled by referring

back to original samples.

Mr Bradshaw brings 30 years of experience to the tasting and confesses a partiality for Kenyan mild, which he describes as fruity and aromatic. Kenya is alone in holding anctions for its coffee, so that the hower is directly that the buyer is directly rewarded for a quality product.
Robusta coffee, while a lot
coarser, has a lot more body
which is useful in the blending

process. Brazilian has a slightly acidic feel. Fortunately, there is no set convention on what tastes good," said Mr Bradshaw. "What is good is quality." *****

2.3

es at

WEEKLY METALS PRICES

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 7.70-7.85 (7.65week's in brackets).
ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,750-1,800 7.85). MERCURY: European free (1,725-1,780). market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, BISMUTH: European free

US MARKETS

New York

market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 230-240 (same).
MOLYHDENUM: European free market, drummed molyb-3.80-L20 (3.80-L30). market, min. 99.5 per cent, \$ per lb, in warehouse, 4.60-4.75

market, min 99.5 per cent, \$ per lb, in warehouse, 5.50-6.10. TUNUSTEN OUR: European ree market, standard min. 65

per cent, \$ per tonne unit (10 kg) WO, cif, 40-58 (same). VANADIUM: European free market, min. 98 per cent, \$ a lb VO, cif, 230-245 (230-240). URANIUM: Nuexco exchange value, \$ per lb, UO, 9.00 (same).

CRUDE Oil. (Light) 42,000 US gails Stearrei

Sugar deficit

F.O. LICHT, the West German statistics agency, has forecast a world sugar deficit of 167,000 tonnes (raw value) in 1989-90 (September/August), traders said, reports Reuter. In its sec-ond sugar balance for this sea-son, Licht put world produc-tion at 107 clim temper. tion at 107.91m tonnes, up from 104.71m for last season, and consumption at 108.07m tonnes, up from 107.55m in 1968/89.

Chicago

LONDON MARKETS

NICKEL prices closed just below the day's highs on the LME as consume emand emerged from the US, the Fat particularly in the US, following fresh demand from Japanese steel mills, traders said. Three-month metal ollowed up Monday's rise of \$155 a tonne with a \$390 rise at the close, taking it to \$6,885 a tonne. The rise gathered momentum after the breach of \$3 a lb (\$6,600 a tonne) in the morning, and some analy looking for a run-up to \$7,400 before any concerted fresh selling is likely to emerge. Copper prices fell in wary trading following what appeared to be a key chart reversal on Comex on higher following news of rain in Brazilian growing areas.

SPOT MARKETS		
Crude oil (per barrel FQS)		+ or -
Dubai	316 57-3 Bin	+.215
Brent Bland	\$19.57-0.632	
W.T.L. (1 pm est)	\$22,10-1,152	+.450
Oil products		
(NWE prompt delivery per t	orme CIF)	+ or -
Premium Guestine	\$228-225	-1
Gas Oli	\$175-177	+3.5
Heavy Fuel Oil	\$90-91	
Maphina	\$198-200	
Petroleum Argus Estimates	1	
Other		+ or -
Gold (per troy ex)-	\$419.25	
Silver (per troy cz)-	535c	+3
Placement (per troy col	\$518.26	+5.00
Paliadium (per troy oz)	\$136.00	+0.50
Akuminium (free market)	\$1415	-10
Copper (US Producer)	103%-105c	
Lead (US Producer)	40.5c	
Nickel (free market)	316c	*15
Tin (Kusia Lumpur markut)		_
Tin (New York)	287c	-2
Zinc (US Prime Western)	65 /4 c	
Cattle (live weight)†	107.55p	-1,57"
Sheep (dead weight)† "	201.25p	4.22
Pigs (live weight)†	67.10d	+2.24
London daily sugar (raw)	\$360.6x	-4.4
London dally sugar (white)		-4.5
Tate and Lyle export price		-0.5
Barley (English lead)	£112.50	-25
Maize (US No. 3 yellow)	£127.5	
Wheat (US Dark Northern)	2129	
		-
Rubber (Mar) 🖤	55.50p	
Rubber (Apr)♥	68.60p	-0.5
Rubber (KL RSS No 1 Mer)	COT.UMI	
Coconut oil (Philippines)§	\$375.0x	-17.5
Paim Oli (Malaysian)§	\$257.5	-7.5
Copra (Philippines)§	\$250	
Boyaboans (US)	2158	
Cotton "A" Index	76.40c	4.86
Wooltops (64s Super)	552p	-4
a tonne unless otherwise	stated. p-pe	nçe/kg.

623 645 645 662 660 707 721 621 635 647 664 688 73 Turnover: 14761 (8717) lots of 10 tennes ICCO Indicator prices (SDRs per tenne). Daily price for Feb 12 75.71 (752.76) 10 day average for Feb 13 752.75 (755.11) 611 597 617 602 627 515 639 630 665 646 670 963 685 680 804 808 819 667 647 664 682 Turnover: 7584 (495) lots of £ tonnes ICO indicator prices: (US cents per poun Feb 12: Comp. delly 56.46 (65.30). 16 day age 62.97 (52.70) Close 329,40 328,40 327,20 317,20 315,00 294,80 283,60 427.0 425.0 426.0 391.0 366.5 360.0 359.6 434,0 430,0 430,0 396,0 372,5 368,0 365,5 434.5 429.0 431.0 423.0 427.5 428.0 362.0 361.5 368.0 368.0 263.5 363.5 363.0 363.0 173.50 170.50 188.50 166.06 186.25 163.00 164.75 162.50 165.50 183.00 167.50 165.00 19.87 18.40 19.87 18.40 10.29 18.14 18.15 19.00 19.80 19.38 19.14 19.27 19.34 18.09 18.89 18.04 imover: 6468 (5774)

February/Merch c and f Dunder BTC \$809, 6WC \$600, 8TD \$855, 6WD \$555; c and f Antwerp BTC \$560, BWC \$560, BTD \$500, 8WD \$625. COTTON Liverpool-Spot and shipment sales for the week ended February 8 amounted to 603 tonnes against 436 tonnes in the previous week. Trading was very low during the week with only small orders made in West

Lead (% per ton Gests 443-5 5 months 415-9 419-25 hel (5 per too Tin (\$ per ton Ceeth 1345-65 Merch 30 1335-45 Close Previ Sold (See sz) \$ price 181.0 207.5 100.0 140.0 128.00 124.50 124.80 125.50 427-432 427-432 427-432 450-435 410-422 961₁-1001₁ 961₁-1001₁ 263-256 253-256 253-256 265-250 245-250 56¹2-40 56¹2-40 138.50 1500 1606 1540 1303 1510 1514 1579 ではないのでは p/line az NRAMES - DITE Wheat Close Previ High/Low 112.70 112.20 116.70 116.10 116.80 176.50 112.35 116.35 116.60 Close 118.70 118.70 118.85 Previou 33 14 107.15 109.56 11122 107.15 109.86 112.25 Mar May Mar. May Copes 1 8 36 (Cest: Sedemant) ping 112.0 117.0 117.0 115.5 111.5 116.3 115.6 115.0 Apr May Apr Brink Grade 34

GOLD 100 troy oz.: \$/troy oz. 40.847 Total 10.086 late 7,123 lots 4.855 lots 17,324 lots SELVER 5,000 troy oc. contailer oz. 581.A 583.3 587.5 541.8 550.0 558.8 670.3 673.7 602.3 590.5 105.46 154.29 102.90 101.40 102.65 96.70 96.10 96.10 \$7.60 US che aguity WICE 29 51 128.68 128.73 127.92 . 194.77 130.97 130.42 130.45 137.08

0 532.0 0 540.5 540.5 567.5 669.0 0 0 High/Low 100.90 90.90 96.90 96.39 97.39 96.79 96.19 96.50 96.39 COTTON 50,000; cents/fox Close Previous High/Low 69.59 69.82 70.15 65.85 65.85 67.26 66.70 66.83 66.80 57.20 53.55 63.65 65.45 65.20 NEUTERS (Base: September 18 1991 = 109)

27.25 22.10 21.87 21.80 21.87 21.22 21.23 21.71 21.06 NEATING OIL 42,000 US galle, cente/US galle 19.65 19.96 20.16 20.13 20.12 20.12 20.22 20.15 Latest · Previous High/Low 5780 5680 5585 5610 5490 5535 5645 5700 5780 6810 5546 5490 6410 5406 5470 5550 6700 5780 5810 5590 5510 5490 5549 5549 5540 5700 5700 5780 165.7 169.8 173.1 174.9 176.9 176.9 180.7 182.0 Previous High/Low 241/8 248/0 252/0 248/6 246/0 252/4 296/0 COFFEE "C" 37,500tbs; cents/lbs 80.05 89.21 89.77 91.40 93.10 95.00 97.00 85.27 88.06 89.72 91.00 93.00 95.00 97.00 96.75 87.50 88.40 90.90 92.00 83.75 85.30 87.15 89.00 90.25 92.25 95.60 0 385/4 365/2 347/4 364/0 365/6 373/0 Close Feb Apr Aug Oct Dec Feb BUGAR WORLD "11" 112,000 lbs; cents/lbs High/Low 14.56 14.59 14.45 14.63 13.23 13.18 13.10 14,94 14,90 14,77 14,31 13,50 14.87 14.82 14.68 14.24 13.50 49.77 47,57 52,80 52,55 51,00 '48,47 46,75 47,00 Per April Alegan OTIANGE JUIGE 15,000 lbs; cents/fbs 197.65 192.95 180.75 186.50 182.70 179.25 179.25 203.76 197.50 194.10 196.00 183.00 Close Mary Jul Sep Hov Jan Mar Mary

OYASEANS 5,000 bu min; centa/60th businel · · 564/0 576/2 588/2 591/4 590/6 696/2 605/4 618/0 555/2 578/3 590/8 591/6 596/6 506/4 516/0 863/4 575/4-588/0 691/4 590/5 595/0 605/4 515/0 579/2 591/4 594/5 593/4 698/2 608/4 516/4 Close 19.98 20.16 20.17 20.19 20.16 20.22 20.15 19.52 19.53 20.00 20.02 91.03 20.04 20.10 20.20 18.79 20.06 20.24 20.22 20.25 20.20 20.30 20.10 AL 100 tone; \$/ton 196.5 170.2 173.6 175.3 177.3 178.7 181.3 182.0 161.7 174.5 174.9 175.9 177.4 176.7 181.4 182.0 165.4 169.4 172.8 174.7 176.4 178.0 180.4 182.0 MAIZE 5,000 by min; cents/56% buffel Previous 242/0 247/6 252/0 249/2 247/0 253/2 257/0 241/2 247/2 251/4 248/4 245/4 252/0 256/0 HEAT 5,000 bu min; cents/80tb-385/2 384/0 847/0 364/0 385/2 371/4 High/Low 79.87 77.57 72.47 71.02 72.37 73.05 73.00 79.39 77.30 72.22 70.80 72.10 72.65 72.90 49:90 47,70 47.30 82.47 52.25 50.60 46.17 46.52 48.77 52.90 52.65 51.00 48.50 47.00 47.25 High/Lo Feb Mar May Jul Aug Feb Mar 49.50 49.62 50.92 51.22 49.20 54.40 54.60 49,55 49,87 61,25 51,57 49,50 54,66 54,60

LONDON STOCK EXCHANGE

Equities overcome rash of bad news

out in mid-afternoon when

Wall Street confidence was

challenged by the announce-ment from Drexel Burnham

Lambert. The FT-SE Index closed 6.3 higher at 2,293.2, having touched 2,299.4 at its

best moment. Seaq trading vol-

ume increased to 435.3m shares

from Monday's 337.4m but trad-

ers said that institutional busi-

ness was once again very selec-

ANOTHER round of bearish developments both at home and abroad checked but failed to halt a determined rally in UK equities yesterday. Strategists said London was helped by Wall Street's relatively calm response to bad news from the US junk bond sector and by a restrained performance from Tokyo overnight.

EBRUARY W.

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The Footsie 2,300 mark was almost recaptured in early trading and share prices were moving upwards again at the close after throwing off the effects of the further deterioration in German bonds, a \$100m loan default by Drexel Burn-ham Lambert, the US securities firm which also disclosed

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Accoun	t Dealing	Dates ·
First Deallogs: Jan 29	Feb 12	Feb 25
Option Cockersti Feb 8	Feb 22	Mar &
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Account Days Feb 19	Mar 5	Ser 18
These then deal	-	about from

that its board was about to consider filing under Chapter 11 of the US bankruptcy code, and a profits warning from a leading UK industrial materials and building group. The final recovery was all the more surprising in that the earlier gain of more than 12

· Once again, the market was futures-driven for much of the session, with the FT-SE futures contract falling to a small dis-count against the cash market before rallying to end the day at a six point premium. Equi-ties were helped initially by a Footsie points had been wiped

£100m trading programme weighted towards the buy side and operated by Smith New Court, the London marketmakour firm.

Several dealers at leading firms admitted to some surprise at yesterday's performance. "Any move below Footsie 2,300 still seems to bring in a few institutional buyers, no matter what had news there may be," was the comment from one trader at a leading US investment house.

The corporate reporting season made an uncomfortable start with a profits warning from English China Clays (ECC), the building materials group, which caused a heavy

ecording to one marketmaker

although the shares essed only 3 to 237p on turnover of 1.8m.

Early speculation suggested

that BET was considering a counter bid for Sketchley but later the story changed to BET buying the UK side of Blue

Parkfield dipped 31 to 433p

with some in the market elieving that chairman Mr

Falber had resigned. In fact it was a Mr Feldman, one of the

company directors, who had

flurry of support, based on their defensive merits. The big-

gest turnover was in North

West following a hunch with

County NatWest; some 3.9m shares changed bands as the

price edged up 2% to 155%p Dealers noted strong support for Welsh Water, 6 up at 186p on 2.9m, and Yorkshire, the

same amount firmer at 180p on 1.3m. Southern rose 4 to 154p, as did South West, to 188p. The Package added 20 to £1618. Midland apart, there was lit-

banks, although Lloyds remained a resilient market. The shares held at around the

180p level on turnover of 4.7m.

The see-saw performance of the insurance sectors contin-

ned. Lifes moved higher with Prudential, rumoured last week to be considering a sub-

week to be consuming a sus-stantial rights issue, up 6 at 215p and Legal & General hardening to 394p. Composites, buffeted in recent weeks by

analysis' profits downgrades prompted by the space of floods and storms across the country,

staged another rally as bulls of

the sector highlighted the pos-sibility of takeover bids from

Europe. Guardian Royal

Exchange, widely regarded as a potential target for Generali,

the Italian group which has won approval from the French Stock Exchange to launch a

joint venture with Aza Midi,

reversed Monday's weakness.

uled to begin announcing pre-iminary figures at the end of the month and specialists are

the mouth and specialists are expecting warnings of sharply reduced profits for 1990 and forecasts of increasing reinsurance rates. As one observer put it: "The bid stories are premature; there will be agreed mergers rather than bids, and the same won't take place for around

won't take place for around eighteen months." Sedgwick, the insurance bro-

her, eased a penny to 284p on turnover of 3m shares with dealers pointing out that the stock had featured in the mid-

morning programme trade. The sale by NatWest Bank of

its 9.16 per cent stake in Blue Arrow pushed the latter's shares better. They reached 89p at one point before subsiding to 87%p, up 1% on the day. Dealers said the reason was

the disappearence of the shares overhanging the market.

nt in the clearing

The water stocks attracted a

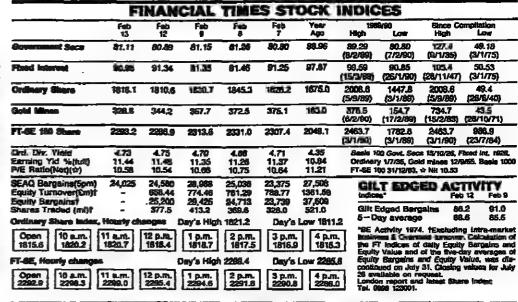
ALLOW

resigned

Inovem

fall in the share price and also upset other shares in the sector. While poor news has been expected in this area, the ECC datement sparked off a re-examination of profit forecasts throughout the building share list. The gloom hanging over the sector deepened when Bryant Holdings, the house builder, disclosed that interim profits had been halved.

However, insurance shares moved higher again as formal approval for partnership control of Compagnie du Midi by Axa and Generali, the French and Italian insurance groups, reignited hopes for European takeover moves in the UK com-



TRADING VOLUME IN MAJOR STOCKS

| Content | Inform | 1977 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 2077 | 20

| Post | Comment | Comment

English China setback

Setuaca.

English China Glays fell back 210

Lower profits 200 this year, blaming "interna-tional economic conditions, accentuated by high interest rates in the UK." The news was not a total surprise but the hares, despite trading easier in recent weeks, still dropped 32 to 382p before rallying to close 28 down on the day at

886p. Hoare Govett cut profit expectations for the year to September 1990 from £160m to 2145m. BZW, the company's brokers, also lowered its forecast and is now looking for profits of 2143m, down from the previous estimate of £165m. Hoare's Mr Richard Rae said: "The international division bad been expected to see a slight growth in its market but this has not occurred, and problems with the weather in Atlanta (US) and in South West England, which has dis-

rupted production, have not helped." He added: "Construction materials have also disap-pointed and housing sales are, not surprisingly, suffering in the current environment." BCC shares were also affected by the disappointing results from Bryant, in which ECC has a 29.1 per cent stake.

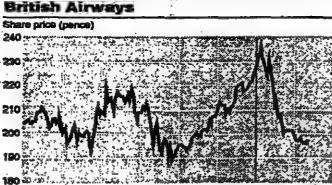
Midland ties

A joint statement from Mid-land Bank and Hongkong & Shanghai Banking Corporation regarding my tie-up between the two took much of the hear out of the Midland price. Midland shares, good performers along with those of the other high street banks during recent months, edged up to 372p before coming off to close a net 3 higher at 368p. Turnover was an unexceptional 1.7m shares.

The statement said they

were discussing the form and nature of a closer business association. It was made, the banks said, following recent speculation over a possible merger between them. Hongmerger between them, mong-kong & Shanghai has had a 149 per cent stake in Midland since December, 1987, and a three-year standstill agreement pre-venting an increase in the stake has been in place since

Recent speculation in the market has suggested that Hongkong & Shanghal might increase its holding, possibly to 29.9 per cent, with Bank of England permission, to help Midland increase its lesser developed country (LDC) provi-



tion to around the 70 per cent level. Lloyds and NatWest bave increased their LDC provisions to around the 70 per cent mark. Midland's preliminary figures are expected on Pebruary 21.

Dealers were bemused by the statement: "It says nothing more than we already knew Midland has to make increase LDC provisions and Hongkong want a merger with Midland."

Airways firm

British Airways firmed 1200 shead of third quarter figures today after some weeks of steady decline. The shares peaked at 240p early in January but then the company warped analysis to be cautious with their profit forecasts in the light of rising fuel prices. The shares have since fallen more by 10 per cent against the market.

The market range for today's profit figure is from less than 250m to 260m. BZW is at the top of the range, while County NatWest WoodMac is forecasting 256m and UBS Phillips & Drew, ES5m. A flurry of buying interest

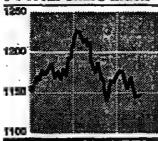
British Gas which closed a net 6% up at 229p after-turnover of 8.9m. Much of the buying came from the US and was carried out by Kleinwort Benson. Mr Phillip Lambert, of Kisin-wort's oil team, noting the strong performance by water shares, said Gas shares were cheap relative to water stocks and stand at a level lower than that when the water stocks made their debuts. "They should be at a 100p premium to Thames Water, assuming 16 per cent dividend growth in Gas over the next five years," said Mr Lambert also pointed to

the yield differential between

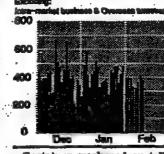
1990 Jan Gas and the market; "Why should Gas, at 6.2 per cent, yield 40 per cent more than the market, at 4.5 per cent? he

Aviva Petroleum, among the est performers in oils in recent weeks, moved up 1% more to 42%p after the US and Canadian acquisitions.

FT-A All-Share Index



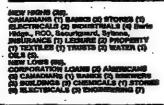
Equity Shares Traded Turnover by volume (million)

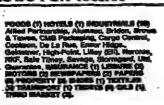


Gestetner weakened on talk that the company would make a rights issue to fund an acquisition. The ordinary shares gave up 13 at 2079 and the capital and the capital state of the

tal stock 17 at 213p. Sketchley gained 4 more to 200p on hopes that rival drycleaning concern, Johnson Group Cleaners, or some other company, might counter the £138m share and cash offer made on Monday by Godfrey Davis, unchanged at 149p. BET were a "dull market,"

NEW HIGHS AND LOWS FOR 1989/80





The shares were sold at

n as managing director. Mrs Jane Burker has been appointed chairman of BOWRING INFORMATION AND COMMUNICATION SYSTEMS in addition to her responsibilities as chief financial officer of C.T.

Mr George Luckraft and

Three new directors have been appointed to the casualty division of J. BESSO & CO. Mr Anthony R. Green becomes senior divisional director; Mr Antony Ainsworth is divisional director (contractors business) and Mr Clive Searle divisional director (technical back-up). All three directors

■ The SCARBOROUGH BUILDING SOCIETY has appointed Mr lain Stewart as assistant general manager (finance & treasury). He was previously accounting services manager at the Toronto Dominion Bank in the City

M Ms Liz Martin-Rosenfeld has been appointed a director of SUMIT EQUITY capital company. She joined

about 86p a share, compared with the 166p rights issue price at which the bank acquired its stake in 1987. Blue Arrow said the shares had been bought by a US institution, and some dealers suggested this might be South Eastern Asset Management of Tennessee. The purchaser must reveal itself within five working days.

Bass bounced from a 10month relative low against the market to 978p, up 20 on the day. Sentiment continued to be helped by Monday's 198-page

buy recommendation from brokers Panmure Gordon. Second-line brewers had a bad day as Mr Mike McCarthy of Smith New Court took a bearish stance on the sector. He said that as the whole industry restructured in the wake of the Monopolies and Mergers Commission ruling last year, discounts to the free trade, as opposed to houses tied to specific brewers, were increasing. "If some of the main brewers were to get hig-ger, they would use their size to increase market share. The regional brewers would be less able to respond to the pressure on their margins, he said. Worst affected yesterday was

Wolverhampton and Dudley, down 9 at 404p, while Greenall Whitley slipped 5 to 220p.

John Mowlem shares were knocked at the outset by news that the group was making a \$33m recovision in the 1000 233m provision in its 19 accounts for investment in the London City Airport. Mowlem built the Airport and has a 90 per cent stake in the project. But Mowlem emphasised it would not affect the 1989 dividend, expected in eight weeks time, and the shares, down to 310p at one point, rallied to

close a net 11 off at 342p.

The busiest of the food stocks was Tesco, which benefited from inclusion in the morning programme trade. Support was also prompted by a Kleinwort Benson buy note, whose analysts recently visited the company. Other brokers are expected to raise their fore-casts in the coming days. The Kleinwort analysts said trading volumes had been strong and expected full year profits of \$324m from £321m, while next year £385m was forecast against \$379m previously. "The company will offer earnings growth in the high teems over

the medium-term, with a high degree of security. Kleinwort said. Tesco closed unchanged at 197p on 4.5m. United Biscuits was also busy with 850,000 shares of the

| String | S

day's 3.5m volume believed to have been sold in the pro-gramme trade. The old talk about a European acquisition resurfaced and kept prices on the defensive, although analysts dismissed the sugges-tions. "It's premature to talk of acquisitions," said one. Suggestions that Tesco could be set to squeeze some of its suppliers, including UB, was also said to responsible for some of the

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day's losses. UB finished 4 lower at 339p on 3.5m. Carlton Communications ran sheed quickly in the wake of presentations last week to Japanese investors. The shares peaked 778p before closing only a penny high on balance at

Carlton has presentations to fund managers next week at Laurence Prust and a US brokerage. Mr Keith Woolcock at Laurence Prust said he thought the company would announce its intention to give a breakdown of profits with its figures. Some analysts have said that the lack of detail on the company's figures added to the uncertainty surrounding

1,000 1,000 1,300 485 . 316

Reuters revealed full-year profits in line with expectations at £283.1m, against E315.4m last time. The shares edged 4 better with the market to 1040p. Mr Brian Sturgess at BZW said that several one-offs, such as a falling tax charge, dampened any enthusiasm. ■ Other Market statistics.

including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 15

APPOINTMENTS

Changes at **Trusthouse** Forte Hotels

■ Mr Alan J. Hearn has been appointed managing director of TRUSTHOUSE FORTE HOTELS, responsible for some 250 properties in the UK, Europe, Middle East, and the Caribbean. He was managing director of the catering division, and is on the main board, Mr Tony L. Monnickendam succeeds Mr Hearn as managing director of Trusthouse Forte Catering, responsible for over 1000 restaurants in the UK. He was managing director, catering and restaurants.

MEDEVA, the pharmacentical company, has appointed Mr Bernard Taylor as its executive chairman. Mr Taylor, who was previously chief executive officer of Glaxo Holdings, succeeds Mr William Gerard who becomes non-executive vice chairman.

Mr Bernard Lovell has been appointed deputy chairman of 42 BERTH TILBURY, with special responsibility for marketing and customer liaison. He is succeeded as managing director by Mr Tony Bryant, former executive director of 44 Berth and 46 Berth, Mr Alec Faraway

becomes the new executive director of 44 Berth and 46 Berth, All three Berth companies are part of the Port of Tilbury's conventional division and between them constitute the largest forest products terminal in the UK.

 THE ILLINGWORTH, MORRIS GROUP has appointed Mr Geoffrey Eliam to the board; and Mr Michael J. Barrie as a director of five subsidiaries, and company secretary of six, following the retirement of Mr J. Sweeting.

I J.H. MINET & CO has appointed Mr Tad Brundage, Mr Khaldoun Khartabil and Mr Steve Quick to the board.

Mr Franz Kaspar has been promoted to group president, fluid connector group, PARKER HANNIFIN CORPORATION, at European headquarters, Hamel Hempstead. He was vice president, operations/GF, based in Bielefeld, West Germany.

■ BROADWAY CONSTRUCTION has appointed Mr Peter Hawes as executive and construction director.

m Mr John Harper, group finance director of AVON RUBBER since last October joins the board on March 1

Mr R.T. Orrise and Mr N.P. Brown have been appointed directors of LONDON UNITED MARINE AGENCIES.

Mr Singert Davies has been appointed sales and marketing director, ABLE INDUSTRIES, packaging subsidiary of the Robinson Group. He joins from



RRA BROTHERS, private banking subsidiary of Rea Brothers Group, has appointed Mr Christopher Norland (above) as a director of its corporate finance division. He managed his own corporate finance company, Financial and Investment Services Corporation, whose business interests have been taken over by Rea Brothers, and previously was chief executive of Industrial Finance and Investment Corporation.

W Mr Michael H. Goss has been appointed managing director of PWT PROJECTS, isleworth, recently purchased from Portals Holdings by THE TECHNOLOGY PARTNERSHIP, Cambridge, has appointed Dr Gerald

Mr Migel Thomas have been appointed full board directors of JOHN CABRINGTON & CO.

join from Alexander Howden.

of London

VENTURES, a Birmingham-based venture the company in 1986 as an

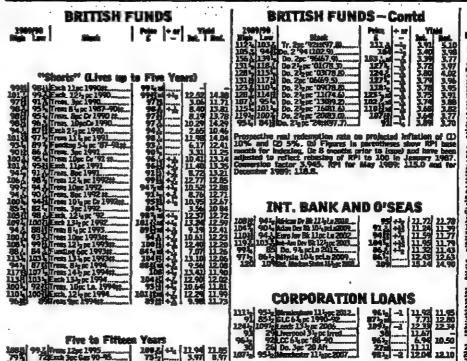
LONDON SHARE SERVICE AMERICANS—Contd **BRITISH FUNDS-Contd**

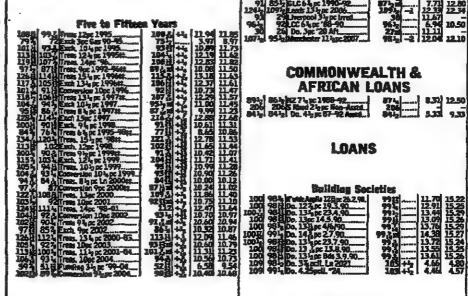
AFRICAN LOANS

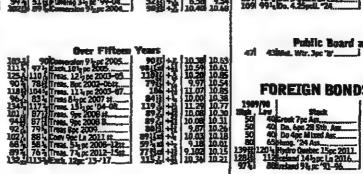
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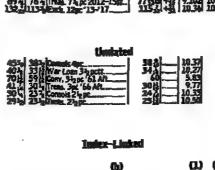
FOREIGN BONDS & RAILS

AMERICANS

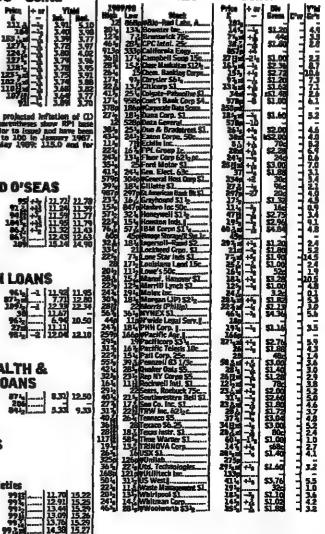


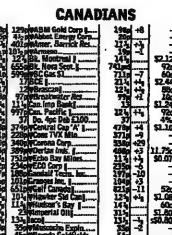


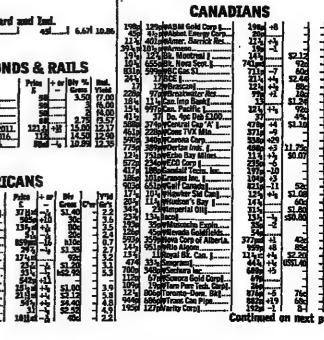




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BANKS, HP & LEASING BUILDING, TIMBER, ROADS	ELECTRICALS—Contd	ENGINEERING - Contd	INDUSTRIALS (Miscel.)—Contd INDUSTRIALS (Miscel.)—Contd.
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Union worries hit D-Mark

THE D-MARK weakened yesterday as the foreign exchanges questioned the costs to the West German economy of monetary Union with its East German neighbour. Fears about the inflationary impact increased, but lack of enthusiasm for any alternative cur-rency helped keep selling pres-sure off the D-Mark. Concern about losses suffered by Drexel Burnham Lambert continued to undermine confidence in the dollar, while the Japanese yen and sterling were steady but attracted no great demand.

Yesterday's meeting between leaders of the two German states agreed to set up a comstates agreed to set up a commission on monetary and economic union, and this could slow the pace of moves to bring together East and West Germany. It came as something of a disappointment to a market, but with hindsight was the likely outcome, ahead of next month's East German parliamentary elections. Mr Hans Modrow, the East German Prime Minister, Had warned that agreement on monetary union would not be immediate when he arrived in Bonn yesterday.

Bonn yesterday.

The D-Mark was steady towards the top of the European Monetary System, but lost a little ground to the Ital-

iost a little ground to the har- ian lira and French franc. The							
6.1	N N	EW Y	ORK				
Feb.13	L	test	Printons Close				
(Spot 1 month 3 months 11 months	8.87- 2.72	1.6910 0.86pm 2.69pm 9.30pm	0.87-0.86pm 2.71-2.66pm 9.62-9.52pm				
	Pervisor premises and discounts apply to the US dollar						
		Feb.	13 Prerious				
6.30 am 9.00 am 10.00 am 11.00 am 10.00 pm 2.00 pm 3.00 pm	20000 Proof	an a	6 87.5 87.5 87.6 87.6 87.6 87.4 87.4				
CURRENCY RATES							
Fm.13		Special Drewin Rights	Gerency Unit.				
Starling #	-	1.27	9 1.39079				

CURRENCY MOVEMENTS

15.6522 46.5432 8.58086 2.22498 2.50448 2.50448 1664,71 144 145.625 144 147,150 147,150 147,150 147,150

MONEY MARKETS

THE YIKLD structure was flat from three to 12 months on the London money market yesterday. Rates were quoted at 15½ 15½ per cent for all periods, compared with 15½ 15% for three-month and 15% 15% for 12-month money on Monday. The lack of a yield curve illustrates the markets expectation that bank base rates will

that bank base rates will

remain at 15 per cent in the lorseemble future.

On Liffe short sterling futures traded in a narrow

UK clearing bank base tending rate 16 per cost brown Uctober 5

range but finished firmer on the day. The June contract

opened slightly weaker at

85.25. This was the day's low,

with the price touching 85.32

before closing at 85.31, against

85.26 previously.

Credit conditions in London

were easier than of late. The

Bank of England forecast a

day-to-day money market shortage of £300m, but gave help of only £98m. The authorities did not operate in

the market before lunch, but in the afternoon bought £78m bills outright, by way of £1m Treasury bills in band 2 at 14%

per cent and £77m bank bills in band 2 at 14% per cent. Late

assistance of around £20m was

Easier credit supply

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury hills drained £119m, with the unwinding of repurchase agreements on bills absorbing £589m. These outweighed Exchequer transactions adding £300m to liquidity, a fall in the note circulation of £50m, and bank balances above target of £45m.

balances above target of £45m. In Frankfurt call money was

unchanged at 7.80 per cent, but fixed period rates were firmer on nervousness about the implications of monetary union between East and West Germany. Three-month money

rose to 8.30 from 8.10 per cent.

L742.45, against L743.74 on Monday. At the finish of trad-ing in London the D-Mark had also eased to FFr3.4000 from FFr3.4022 against the French Iranc.
Lack of firm monetary proposals from the Bonn meeting
and reports of further disturbances in Soviet Central Asia

lira remained the strongest EMS member, with the D-Mark falling to L743.05 from L743.95 at the London close. Earlier in Milan the D-Mark was fixed at

provided support for the dollar. The Drexel affair weighed against the currency however, following news that the US investment bank has defaulted on about \$100m of loans and might even file for bankruptcy. A rise of 1.6 per cent in January US retail sales was in line with expectation and had little

At the London close the dol-lar was generally firmer, but well below the day's highs. It

rose to DM1.6765 from DM1.6695; to Y144.35 from Y144.20; to SFr1.4965 from SFr1.4960; and to FFr5.7000 from FFr5.6800. The dollar's index rose to 67.1 from 66.9.

Sterling was on the sidelines, but high London interest rates continue to make the pound a potential beneficiary from any moves out of other currencies. Sterling fell 1/2 cent to \$1.6910. It also declined to SF72.5300 from SFr2.5375 and to Y244.00 from Y244.50, but rose to DM2.8350 from DM2.8325 and to FF19.6275 from FF19.6325. The pound's index remained

unchanged at 89.4.
The South African financial rand was steadler after Monday's volatility. It was helped by comments from Mr Nelson Mandela that the African National Congress is committed to economic growth in South Africa Ir London the South Africa. In London the dollar fell to R3.43 from R3.54 against the financial rand.

E	URO-CL	RREN	Y INT	EREST	RATES	
Pth 13	Short, term	7 Days notice	Que Month	Three Months	St. Months	One Year
fing Dollar Dollar Dollar State Dollar State Dollar State Dollar State Dollar State Dollar State Dollar Dol	142-144 82-84 125-124 9-85 9-74 8-74 13-11 93-94 13-11 93-94 12-11 84-84	15-16-8 81-81-1 12-1-12-1 12-1-12-1 10-1-10-1 10-1-10-1 10-1-10-1 12-1-12-1 8-8-1	15,-15 2,-12, 2,-12, 2,-12, 2,-12, 2,-12, 11,-12,	5-15- 8-8- 8-8- 12-1-2- 9-4- 8-9-4- 13-1-13- 13-13- 13-13- 13-1-13- 13-1-13- 13-1-13- 13-1-13- 13-1-13- 13-1-13- 13-1-13	154-154 84-84 124-154 94-95 94-95 114-1154 114-1154 114-1154 114-1154 114-1154 114-1154 114-1154 114-1154 114-1154 114-1154 114-1154 114-1154 114-1154	15. 15. 15. 15. 15. 15. 15. 15. 15. 15.
Lary term Esrci	offers (no year t nominal, Shor	n 87-84 per c t torin rates are	call for US Doi	9-8% per cust. lars and Japane	four years 91 ₀ - ne Year, others, b	A per cent; five the days' notice.

POUND SPOT- FORWARD AGAINST THE POUND										
Feb.13	Cay's spread	Uiec	Core records	NA DAR	Three	% p.a.				
tarks	263 - 2441- 19.53 - 26.62 2.521 ₂ - 2.54 1.3905 - 1.3935	1.0705 - 1.4415 2.0260 - 2.0230 31.9-3.20 31.9-3.20 31.9-3.20 10.952 - 1.0705 21.11-1.105 24.80 - 25.1.30 10.944 - 10.954 9.634 - 9.644 10.325 - 10.374 24.3 - 2.041 19.95 - 20.01 2.525 - 2.535 1.3920 - 1.3920 10.954 - 10.374 2.525 - 2.535 1.3920 - 1.3920 1.3920 - 1.3920	0.85-0.84cpm 0.37-0.30cpm 1-1-1-quan 2-1-1-quan 2-1-1-quan 2-1-1-quan 1-1-1-quan 1-1-1-quan 3-1-1-quan 3-1-1-quan 1-1-1-quan 1-1-1-quan 1-1-1-quan 1-1-1-quan 1-1-1-quan 1-1-1-quan 1-1-1-quan 1-1-quan 1	5.00 1.98 5.40 4.14 2.53 1.00 0.70 0.29 1.71 1.63 1.61 1.74 4.30 1.74 1.34 1.34 1.34 1.34 1.34 1.34 1.34 1.3	2.66-2.65pm 1.64-1.05pm 43-43-pm 6.4-23-pm 44-43-pm 44-43-pm 10-15-16;	6.30 2.12 5.44 2.44 2.65 0.17, 1.74 1.17 2.14 2.14 2.14 2.14 2.14 2.14 2.14 2.14				

DOLL	AR SPOT	FORWAR	D AGAH	est :	THE DOL	LAR
Fd.15	Day's	Close	One month	% pa.	Three	% p.a.
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alarse and discounts es. Pineacles franc	200 to the US	duller and set to	the individual co	rençi. Selgim rati	la for contertible					
EMS EUROPEAN CURRENCY UNIT RATES										
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tan Francish Krune sh Krune sao D-Mark sh Francish Francish Pust so Ura	42 1679 7.79965 2.04446 6.85684 2.30158 0.763159 1529.70 132.509	7.87855 2.04024 6.97851 2.74751 0.769552 1515.38 131.874	+1.03 -4.21 +1.15 -4.18 +0.84 -0.94 -0.76	+1.15 +1.03 +2.21 +1.15 +1.84 +1.84 +1.94 +1.76	±1.598; ±1.653 ±1.1762 ±1.3618 ±1.5272 ±1.6689 ±1.5162 ±4.2705					
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ages are for Ecs, therefore positive change despites a senic carrolog absent calculated by Financial Times.										
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CS B Fr.	0.493	0.833 2.849	1397	1203 4111	4.790 16.24	1.247	1.575 5.383	1038	1 3A19	29.2 100.

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BASE LENDING RATES

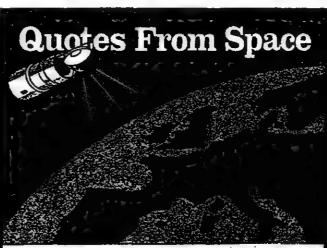
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FT LONDON INTERBANK FIXING CLLOU a.m. Feb.139 3 months US failure

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	LOND	on M	ONEY	RATE	-85	

1000 00 0100							
The Bundesbank council meets on Thursday when the main	L	ONDO	N MC	NEY	RATE	3	
topic of discussion is expected to be monetary union. It is	Feb 13	Overnight,	7 days notice	Month	Titres Months	Months	One Year
thought in the market that the central bank will not agree an	interback Offer	1316	148	154	15 Å 15 Å 15 Å	154 154 154 154	154 154 154 154
increase in official interest	Sterling CDs	14½ 15¼	144 144	, -		15%	3
Banks are well supplied with liquidity at present, but tax	Finance House Deposits Treasury Bills (Row)	_	Ξ	143 15 15 143 143 153 8.25	145 151 146 151 151 151 151 151 151 151 151 151 15	뚢	15t
payments will soon drain money. This led to suggestions	Bank Bills (Buy) Fice Trade Bills (Buy) Dollar CDs	Ξ	Ξ	141	147	144 144 830 94 94 114 112	= =
that the Bundesbank might allocate extra funds at this	SDR Linked Dep. Offer . SDR Linked Dep Bld ECU Linked Dep. Offer . ECU Linked Dep. 8ld	Ξ	Ξ	82 202 104	91 ₆ 91 ₆ 11 &	91g 91g 21,4	8.55 9½ 9½ 11½ 11½
week's securities repurchase	ECU Linked Dep. 8id		-	10€	117	11%	11/2

The market has been invited to make variable bids at a two-tranche tender, for 28-day and 63-day funds. This is needed to replace a total of DM17.8bn leaving the market today, as two earlier facilities

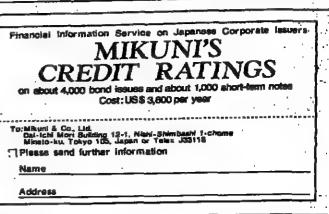


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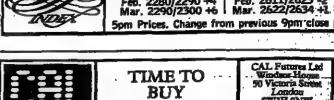
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SPONSORED SECURITIES 10.3 19 181 111 19 Armitage and Rhodes 24 17.6 6.0 7.7 6.8 11.6 Bardog Gross (SE) . 3.9 0.125 0.125 98x 110 257 133xi 368 297 104 160 Securities use-granop call and tusher are seen, or suspect to the rules are regulations of The ISSE. Other securities listed above are death in subject to the rules of TSA These securities are death in strictly on a matched burgain basis, Neither Granville &, Co, Limited nor Granville Davies Limited are market makers in these securities. These securities are death on a restricted basis. Further details available Granville Davies Limited 77 Manual Screet, London E1 8AF Telephone 0! 488 1212 Cremville & Co. Limited 77 Manuell Street, London El 8AF Telephone 01-488 1212

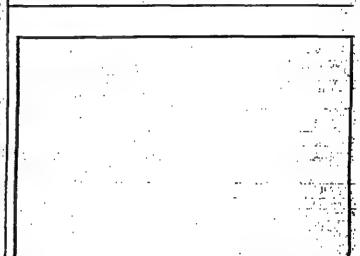


Member of The ISE & TSA





GOLD?

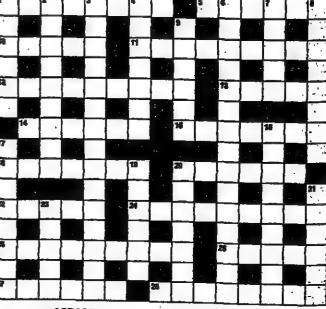


JOTTER PAD

Tel: 01-799 2233 Fax: 01-799 1321

CROSSWORD

No.7,164 Set by CINEPHILE



bly (8) 5 Place for watering French wine: result, increased hock

(6) 10 First, for example, is sponsorship (5)

11 Fellow-sister with instrument like a crossword clue?

12 Flirting by Democrat leader with former name? (9)
13 My turn to distribute? Perfect! (5)

14 Boat that's drab and hard

inside (6)
15 Sack princese's maid (7)
18 Runner, maybe, handicapped during unusual hear

Pass off please (6) zz Forcibly remove the others, we hear (5)

24 Play down ruin of pet lads 25 Story teller to read in speed at old city (9)

26 Ring, as for bulls, is catching (5)

27 You catch the sun, very

nearly (5)
28 The sound of fresh flower is

DOWN 1 French painter's name (include article) (6) 2 Shark needs a fleshing out

3 Translent words in judge's. task (7,8) 4 Little change from 18(1-1890

to modernity? (7)

6 Broken chairs left between writers and queen: it gives writer a point (6,9)

7 Enthusiasm of lover, very likely (5)

8 Seen alms distributed for the unchristers of (6)

the unchristened? (8) 9 Home owner's document?

9 Home owner's document?
Certainly! (6)
16 Worming its way in with
man geiting bills (9)
17 Representations increase
with plant (8)
19 Criental flower festival (6)
20 Compel a measure of printing for the establishment (7)
21 Tool for those having a
quiet rest? (6)
22 Do better than forty, as the
Romans say (5)

Romans say (5) Solution to Puzzle No.7,163

BRUARY 14 1998

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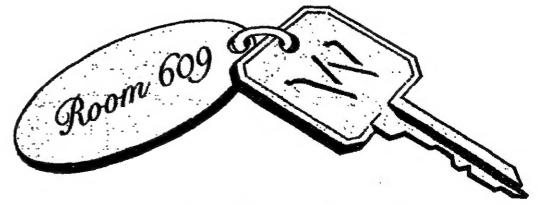
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AMERICA

Uncertainty over Drexel casts shadow on trading

UNCERTAINTY about the fate of Drexel Burnham Lambert hung over Wall Street yesterday, with equities trading in a narrowly mixed range in mod-erate volume, writes Karen

Zagor in New York.
The big US investment firm yesterday said it was considering filing for bankruptcy pro-tection and it had defaulted on \$100m of loans. Furthermore, Drexel said it would liquidate positions of its government securities unit

With the market focused on Drexel's future, players were cautious yesterday. The Dow Jones Industrial Average closed up 4.96 points at 2,624.10, after falling 29.06 points on Monday. Volume on the New York Stock Exchange was moderately heavy, with 145.9m shares changing hands.

The broader stock market picture was mixed, with the Standard & Poor's 500 up 0.94 points at 331.02, the American Exchange Composite was down 0.42 points at 358.45 and the New York Stock Exchange Composite rose 0.30 points to 182.85. On the big board, declining issues led those advancing by 793 to 677.

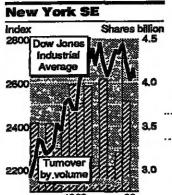
The Drexel news spurred a

recovery in the bond market, where the Treasury's benchmark 30-year bond gained 49 point at midday, yielding 8.39 per cent, after falling more than 1 point a day earlier.

Concern over Drexel also dominated US currency trading, with the dollar weakening on the news to about DM1.6785

Drexel news prompted stock-in-dex futures to fall to relatively small premiums to the cash indices, which in turn triggered a bout of selling of the underlying shares.

FIT gained \$% to \$52% after the company reported fourth-quarter net income of \$1.87 a share against \$1.26 the



previous year. The earnings were above analysts' estimates. LA Gear added \$% to \$25% after the sports clothes manufacturer announced it had lar quarterback for the San Francisco 49ers football team,

ing campaign.
Chrysler slipped \$% to \$16% after the big auto manufacturer reported a fourth-quarter loss of \$2.90 a share after a restructuring charge, against net income of \$1.85 a share in

as a spokesman for an advertis-

from an early morning high of DM1.6898. the 1988 quarter. Chrysler also said it had agreed to sell its Gulfstream Aerospace subsid-

iary for \$825m.
DeSoto jumped \$2% to \$39% after Sutton Holding pressed. the company to take prompt action on Sutton's takeover offer of \$50 a share. Sutton said it might otherwise reduce its

VMS Mortgage Investment Fund plunged \$2% to \$1% after the fund's sponsor. VMS Realty Partners, suspended the pay-ment of principal and interest to its publicly traded mortgage funds and all other non-essential payments in order to conserve cash. Echlin fell \$% to \$13 after

the company forecast that earnings per share for the three months to end-February would be about half the 23 cents of the previous year's

Mattel, the big US toy com-pany, slipped \$% to \$18%.

Canada

Trading was moderate throughout the session in

The 300 composite index, which at one point had been down more than 22 points, lost 14.41 to 3751.86, with declines outnumbering advances 375 to 243. Volume was 26,672,000 shares, up from 23,097,000 shares,

Placer Dome lost C\$% to C\$23%, Echo Bay was off C\$% to C\$23%, American Barrick dropped C\$% to C\$22% and LAC Minerals fellC\$% to

Investors remain cautious in run-up to elections

THE MARKET reopened after a long weekend with uneventful trading, which saw volume fall to its lowest level this year as investors remained wary before the national elections on Sunday, writes Michigo Naka-

moto in Tokyo.

Share prices drifted during the day and volume sank to a paltry 297m shares, the lowest Tokyo has seen this year. This compared with turnover of 364m on Friday when investors were particularly reluctant to commit themselves before a three-day weekend.

The Nikkei average opened weaker and fluctuated at lower levels before closing down 181.11 at 37,107.03. The day's high was at 37,350.93 while the low was at 37,093.99. Declines outnumbered advances by 601 to 318 while 209 issues were unchanged. The Topix index of all listed stocks lost 11.84 to 2,722.83 while in London the ISE/Nikkei index fell 4.4 to close at 2005.24.

The overnight fall on Wall Street and lower bond prices did their part to dampen senti-ment. With only four trading days before the elections to the lower house of the Diet, investors were not inclined to jump back into a market that offered few in the way of buying incen-

Although nothing has changed much in terms of Japan's economic fundamentions, Sunday's elections have managed to cast a long dark shadow over the market. The outcome will have important implications for Japan's politi-

NATIONAL AND

on the currency markets which, in turn, is likely to reverberate on to equities.

Investors, however, have so far been very cautious, as vol-ume levels indicate, and the pre-election rally that had been predicted if the ruling Liberal Democrats showed an improvement in the polls, has not materialised so far.

However, there was continubility that volume would surge towards the end of the week when the results of the last polls start coming in. Mr Nicola Salatti at UBS Phillips & Drew said investors had not yet decided which way the market will go but that once they do decide "things will move very fast."

Interest was scattered with some smaller capitalisation issues backed by good business prospects and low price to earnings ratios doing well. Tokyo Steel Manufacturing saw a firm gain of Y180 to

Y5,610 on expectations that its earnings, so far expected to be flat in the current business year, could be revised upwards on steady steel scrap prices. Tokyo Steel was also favoured for its low p/e ratio of 31. It was third in volume with 3.9m

Some large capital issues saw renewed interest. Toshiba topped the actives list with 5.4m shares and gained Y30 to YI.190. Some investors expec-ted electricals to lead the mar-ket after the elections.Nippon Steel, second on the actives list with 4.1m shares, added Y4 to Y705. Trading was low key in Osaka and the OSE average fell 102.17 to 38,540.17 on thin

TUESDAY FEBRUARY 13 1996

volume of 34,87m shares, down from 76.63m traded on Friday.

Roundup

STABILITY returned to Australia yesterday, but other leading markets in the region were in decline.

performance, as better-than-expected results from the Adelaide Steamship group swept companies' high debt levels.

rose 4.9 to 1628.2 on volume of 91m shares worth A\$171m, up from Monday's 78m and

cents or 4.4 per cent to A\$5.22, after rising 28 cents on Monday. It reported a 21 per cent rise in first-half profits.

TAIWAN fell in active turnover, following its recent gains. The weighted index dropped 297.57 points, or 2.5 per cent, to

HONG KONG continued to ease after last week's rally and following Wall Street's decline. The Hang Seng index lost 31.11, or 1 per cent, to 2,863.55, but light turnover at HK\$800m.

to 1,575.88, down 17.89 points, or 1.1 per cent. Weakness on

AUSTRALIA gave a steady The All Ordinaries index

Adsteam, which fell 28 per cent from its 1990 high by the close on Friday, gained 22

12,126.96 in turnover of NT\$169bn, down from Mon-day's record NT\$198bn.

down from Monday's HK\$859m. ested that selling pressure

SINGAPORE lost all of Monday's gains and more, as the Straits Times Industrial index retreated from its record high Wall Street, Tokyo and Hong Kong, as well as profit-taking.

MONDAY FEBRUARY 12 1990

Oslo bourse goes from strength to strength

Karen Fossli looks at proposals to liberalise further Norway's financial markets

one of last year's top world performers, and it has continued to hit new highs this year, lifted by higher oil prices, the domestic tax situstion and a less restrictive investment climate.

Oslo's performance began to strengthen last year on the back of higher world crude oil prices, an unexpected cut in interest rates and abolition of a 1 per cent turnover tax.
This year began slowly, but

domestic investors soon took advantage of tax-free mutual funds before a deadline at the end of January. By January 11, the all-share index had climbed by 7.7 per cent to hit a record 3.68. The industrial index had shot up by 10.6 per cent had shot up by 10.6 per cent after a 39.4 per cent rise in the whole of 1989, against gains in the shipping index of 2 per cent and 60.1 per cent respectively. This month, the all-share has pushed through the 600 barrier and analyst Mr Tom Skjelstad, of the One beard Norse Securiof the Oslo-based Norse Securi-ties, believes the index will cat-

apult past 700 this year.

Equities gained their new

OSLO has been given responsibility for the production of monthly figures from the four Nordic stock exchanges. These show that it was the best performer in 1989, rising by 54.5 per cent against 33.6 per cent in Copenhagen, 23.2 per cent in Stockholm and a fall of 16.8 per cent in Helsinki.

Finland came back in January, as Helsinki rose by 8.5 per cent, followed by Oslo at 7.7 per cent and Copenhagen 2.2 per cent. Stockholm fell by 2 per cent. For December, the respective figures were 0.9 per cent, 8.6 per cent, 8 per cent and 7.1 per cent. A Nordic index compiled from these figures shows a

for further liberalisation of

Norway's financial markets in

January, and last week gave detailed plans in a white paper presented to the Storting, Nor-

Aimed at encouraging new investment, and stimulating growth in the economy, these

A rise to 33 per cent from 25

per cent in the stakes that can be held by foreigners in Norwe-

gian banks. The limit for com-

way's parliament.

compared with \$18bn in December. impetus from an initiative by panies is already 33 per cent, Norway's new, three-party, centre-right, coalition Govern-ment, which announced plans although applications to exceed the limit are treated lib-

erally.

• A rise to 20 per cent from 12 per cent in the assets domestic life insurance companies can invest in stocks. A further rise to 25 per cent is being consid-

 A doubling of the amount which Norwegian banks will be allowed to invest in stocks. The measure could free some NKr24bn for new equity invest ment, according to finance ministry estimates. When the announcement by the Govern-

rise of 1.3 per cent in January versus 5.9 per cent in December and 17.5 per cent for 1989

Stockholm has the highest market value of the four Nordic markets, at \$118.6hn, and in January it had the highest turnover, at January It had the highest turnover, as \$1.89bm. However, Oslo is the most liquid, turning over 61.1 per cent of its market capitalisation last month compared with 19.1 per cent for Stockholm, 38.6 per cent for Helsinki and 36.4 per cent for Copenhagen. The combined market value of the four Nordic exchanges in January hit \$22.1bn,

> ment to raise the limit on the insurance companies' share-holdings was made, the insurance company index rose by 14

percentage points. World crude oil prices, which have averaged about \$20 a bar-rel so far this year, against \$18 a barrel in 1989, have also supported investor confidence Norse Securities believes that the price will remain at about \$20 a barrel, but Mr Skjelstad is confident that Norway's oil-based economy could withstand prices of around \$18.

On the corporate front,

annual figures have started to

filter through. For the most part, these show improvement, after a rocky three years which started in 1986 when world crude oil prices fell to below \$10 a barrel, their lowest level in more than a decade. m more than a decade.
"If you can forecast the off
price, then you can pin-point
the Norwegian market," Mr
Skjelstad believes.

When oil prices plunged in 1986, the previous minority Labour Government took draconian measures. These included a virtual freeze on wages and dividends, and strict price monitoring to help rein in rampant inflation and put the economy back on track.

Inflation was at about 10 per cent but has subsequently cent but has subsequently cooled to 4.2 per cent. The austerity programme which helped achieve this has led to record unemployment, and is the biggest single threat to the new coalition; but the market, impressed by corporate and industrial rationalisation proindustrial rationalisation programmes, seems more interested in profits than political prospects for the immediate

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US worries undermine Paris and Brussels

EVENTS AT Drexel Burnham Lambert, the US investment bank, cast their shadow over the French and Belgian bourses, while the prospect of monetary union between East and West Germany worried Frankfurt, writes Our Markets

Staff.
PARIS dipped suddenly towards the close after drifting lower in alow trade for most of the day. The sudden decline Street, after the news that the US investment bank, Drexel Burnham Lambert, was considering seeking protection under Chapter 11 of the federal bank-ruptcy code.

The CAC 40 index closed

21.97 points, or 1.2 per cent, down at 1,845.43 in turnover estimated at FFr2.5on.
Perrier finished another

FFr17 down at FFr1,478 after its 12 per cent plunge on Mon-day. This followed a report that the company's Japanese subsidiary was withdrawing mineral water stock and suspending shipments, afterthe weekend news of the discovery of contaminated bottles in North America.

nergy group CGE, one of the most active stocks, lost FFr15 to FFr540 on uncertainty over interpretation of the con ny's sales figures, said one UAP, the state-controlled

insurance company, lost FFr24 to FFr638 after it said on Mon-day that it would seek a capital increase of more than FFr10bn. half of which would be pro-vided by the state, by the end Michelin lost FFr2.50 to

SOUTH AFRICA

JOHANNESBURG stayed ner vous yesterday, and although the market attempted a midmorning rally, it closed weaker with the JSE Gold index falling 51 points to 2,034. The Industrial index

lost 13 to 3,137. Still fretting over Mr Nelso Mandela's support for the ANC nationalisation platform, most investors chose to wait for fur-

Among mining issues, the heavyweight gold issue, Vaal Reefs lost R20 to R400 and Freegold R1.50 to R54. De Beers lost R2.90 to R66.35 and

FFr129 in active trading. The company said that it could sion, when rumours spread on the bourse floor that the Govreduce its workforce this year, because a slowdown in tyre sales in the US might extend to Europe.

FRANKFURT sacrificed early gains to end 1 per cent lower, with investors worried about the prospect of German monetary union. The leaders of both Germanys have agreed to start talks on a common currency as early as next week.

The DAX index remained steady throughout most of the session, but fell markedly in the last 30 minutes of trade to close down 19.41 at 1,840.98. The midsession FAZ rose 5.19

Investors were seen to be more selective. BMW stayed in favour, rising as much as 2.6 per cent on strong recommendations from several banks before falling back to close DM4 up at DM624. It was one of the shares that came under pressure at the end of the sesernment was proposing an exchange rate of 2.40 East German marks for one West German mark Veba, the energy and utili-

ties company, topped the turn-over table with shares worth DM1.09bn changing han closed down DM9 at DM443. BRUSSELS suffered its biggest fall since last October's mini-crash, weakening across the board as Groupe Bruxelles Lambert, the holding company, fell BFr265 (6 per cent) to BFr4.070 because of Drexel Burnham Lambert's US prob-

lems. GBL owns a 35.9 per cent stake in Drexel via its Lambert Brussels Associates subsidiary. The cash market index slid 189.80 points, or 2.8 per cent, to 5,850.07. News of Drexel's Chapter 11 considerations came after the Belgian market had shut for the day. MILAN edged higher on short-covering before the end of the February trading account today. The Comit index added 0.61 to 666.55. Enimont closed L12 down at L1,490 before a meeting of the shareholders' syndicate to discuss long-term strategy for the

chemical venture.

ZURICH tracked Frankfurt for much of the day, but fin-ished fairly steady, as the Crédit Suisse index eased 0.5 to 610.9 in moderate trading.

Pargess, the holding com-pany, fell on worries over its link with Drexel through its stake in Lambert Brussels Associates. Pargesa bearers lost SFr65 to SFr1,695.

AMSTERDAM finished mixed, worried about German monetary union and encour-aged by a firmer domestic bond market. The CBS Tendency index rose 0.2 to 108.7.

Van Ommeren Ceteco, the trading, shipping and transport group, continued to rise, adding 30 cents to Fl 38.90, on takeover speculation.

MADRID went lower after news that the domestic consumer price index had risen 1 per cent in January after a 0.4 per cent gain in December. The general index eased 2.13 to 283.34, with banking shares leading the way down. Banco Santander fell Pta90 to

STOCKHOLM fell as Sweden's minority Government warned that it might resign if its austerity package did not win parliamentary approval. The Affarsvärlden General index shed 18.3 to 1,194.0 in turnover of SKr76m.

Pta5.000.

Ericsson free B shares fell SKr25 to SKr887. Foreign investors appeared disappointed with Ericsson's profit forecast

OSLO closed slightly lower in moderate trading, with the all-share index falling 124 to 604.17 in trading worth NKr362m. However, traders said the underlying trend was

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FT-ACTUARIES WORLD INDICES

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REGICINAL MARKETS												
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Starling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	142.98	+0.4	125.36	126.05	+0.3	5.35	142.41	124.49	125.69	160,41	128.28	148,30
Austria (19)	248.22	-1.0	215.87	215,98	-0.3	1.23	248.58	217.30	215.91	248.58	92.84	95.49
Belgium (61)	139.58	-3.8	122.38	120.99	-3.0	4.60	145.07	126.81	124.67	160.02	125.58	134.84
Canada (120)	140.70	+0.0	123,36	122,26	-0.2	3.35	140.67	122.97	122,49	154.17	124.67	135.10
Denmark (36)	251.32	-0.9	220.35	221.92	-0.3	1.45	253,68	221,78	222.54	260.82	165.35	158.55
Finland (26)	149.63	-0.7	131.19	124,43	-0.2	2.39	150.61	131.66	124.69	159.16	118.63	147.07
France (125)	145.96	-1.8	127.97	130.51	-1.4	2.89	148.61	129.91	132.41	157,97	112.57	117.42
West Germany (96)	130.29	+0.2	114.23	113.56	+0.6	1.87	130.09	113.72	112.91	137.01	79.56	86.13
Hong Kong (48)	117.90	-1.0	103,37	118.23	-1.0	4.84	119.07	104.09	119.41	140.33	86.41	129.41
Ireland (17)	193.92	-1.2	170.02	173.05	-0.7	2.41	196.37	171.66	174.29	198.57	125.00	137.36
Italy (96)	95.66	-0.1	83.87	89.00	+0.2	2.58	95.74	83.69	88,80	102.11	74.97	79.94
Japan (455)	183,47	-0.5	160.86	167.40	-0.4	0.49	184,44	161.23	168.12	200,11	164.22	197.85
Malaysia (36)	243.41	+0.8	213.41	253.54	+0.8	2.09	241.45	217,06	251.49	243.87	143.35	155.51
Mexico (13)	370.48	+0.3	324.82	1105.02	+0.3	0.47	369,48	322.98	1102.02	371.93	153.32	164.29
Netherland (43)	136.82	-0.1	119.98	117,97	+0.2	4.58	136.98	119.74	117.09	145.66	110.63	113.85
New Zealand (18)	67.40	+0.0	59.09	60.29	+0.1	5.83	67.39	58.91	60.21	88.18	62.64	75.08
Norway (24)	235.96	-0.6	206.88	207,46	-0.1	1.38	237.37	207.50	207.73	241.58	139.82	157.95
Singapore (26)	195, 10	-1.1	171.05	167.68	- 1.0	1.74	197.20	172.39	169.30	199.38	124.57	139.65
South Africa (60)	221.99	+1.0	194.63	166,47	-21 -	3.35	219.77	192.11	170.05	251.39	115.35	123.93
Spain (43)	154.98	-1.1	135.88	127.28	-0.9	4.13	156.71	136.99	128.39	169.75	143,14	146,43
Sweden (35)	188.17	-22	164.98	171.18	-1.7	2.05	182,40	168.19	174,18	206,95	138,45	151.19
Switzerland (62)	95.83	-0.2	84.02	88.91	-0.1	2.02	96.01	83.93	89.04	99,12	67.81	77.00
United Kingdom (306)	158.09	-0.1	138.61	138.61	+0.2	4.56	158.27	138.35	138.35	164.31	133.28	151.40
USA (542)	133.97	+0.2	117.46	133.97	+0.2	3.54	133,67	116.85	133.67	146.29	112.13	118,80
Europe (989)-,,	141.46	-0.5	124.03	124.09	-0.1	3.45	142.14	124.26	124.26	148.66	112.63	120.02
Nordic (121)	192.96	-1.4	169.18	165.80	-0.9	1.75	195.76	171.12	167.28	201.89	137.95	146.81
Pacific Basin (667)	179.52	-0.5	157.39	163.92	-0.4	0.73	180.43	157.72	164.59	194.72	160,44	192,94
Euro — Pacific (1656)	164.50	-0.5	144.22	148.05	-0.3	1.68	165.32	144.51	148.52	174.18	141.56	163.75
North America (662)	134.28	+0.2	117.73	133.24	+0.2	3.53	133.99	117.13	132.97	148.68	112.79	119.68
	130.01	-0.7	113.99	115.07	-0.4	271	130.96	114.48	115.48	135.73	96.30	100.70
Europe Ex. UK (683)			115.77	120.16	-02	4.77	132.22	115.58	120.37	140.05	111.93	. 134,11
Pacific Ex. Japan (212)	132.04	-0.1			-0.3	1.75		144.33	148.15	173.77	141.49	162.36
Norld Ex. US (1849)	164.35	-0.5	144.10	147.66	-0.2	2.07	165.11		143.75	162.00	136,98	145.08
Norld Ex. UK (2085)	151.96	-0.3	133.23	143.47			152.36	133.19	143.01	161.84	136.67	145.76
World Ex. So. Al. (2331)	152.06	-0.3	133.32	142.80	-0.1	2.29	152.48	133.28 120.74	130,42	145.52	114.51	120.50
World Ex. Japan (1936)	138.03	-0.1	121.02	130.45	+6.0	3.54	138.12				136.68	145.63
The World Index (2391)	152.49	-0.3	133.69	142.97	-0.2	2.30	152.87	133.63	143.20	162.05	130.00	140.00
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